Industrial Distribution

November 1981

Hotline:
Fadeout of cash discounts accelerating profit erosion

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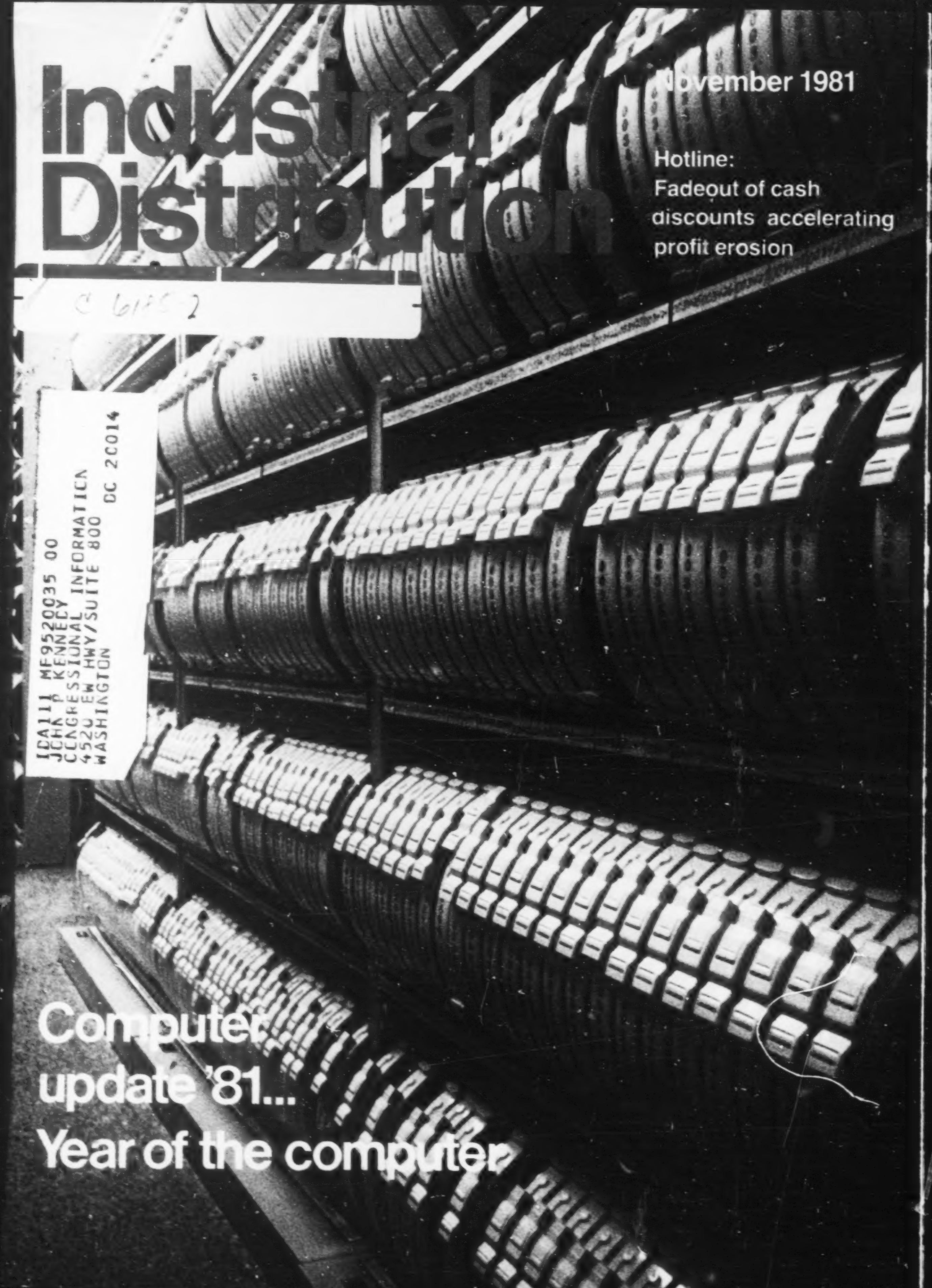

Computer update '81...
Year of the computer

Industrial Distribution

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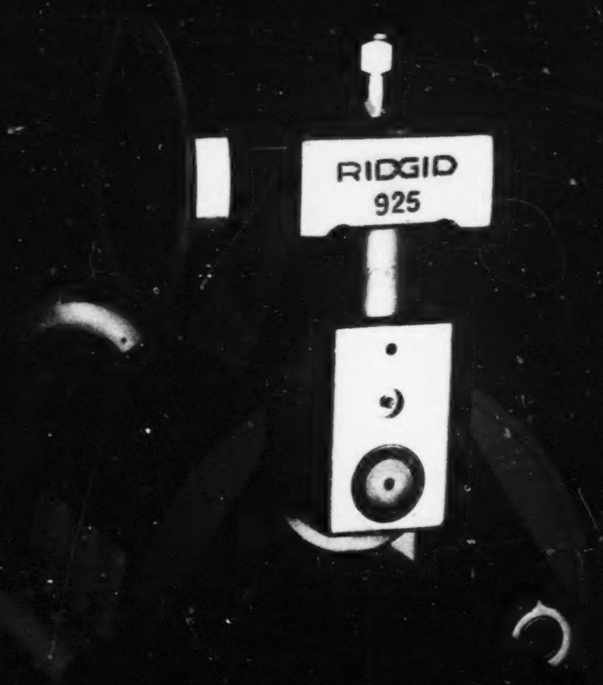

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Indicators . . .

Purchases of industrial supplies and equipment continued to show healthy gains in all regions of the country in August. The month's sales gains outpaced inflation, according to the *NIDA-SIDA Industrial Distribution Index*, which posted its second consecutive record high. The national figure of 150.6 put the seasonally adjusted, two-month moving average 1.2 points (0.8%) higher than July. The figure is 16.5 points (12.3%) above the year-before level . . . The *NIDA-SIDA Inflation Index* for August was 146.2, up 0.4 points (0.2%) from July and 13 points (9.8%) from the year-before level . . . Regional sales, comparing August to month-before and year-before levels, were: east, 150.4, up 9.1% and down 4%; midwest, up 16.6% and 1.8%; west, up 7.8% and 2.2%; south, up 9.8% and 1.4% . . . The *ASMMA New Order Index* stood at 119.2, down 2.7 points (2.2%) from July and up 18.7 points (18.6%) from August 1980 . . . The *FRB Durable Manufacturers Index* stood at 142.4, down 1.1 points . . . The *SIDA Monthly Sales Trend Report* showed a 3.0% decline in August-to-July sales and a 13.9% increase in August 1981 from August 1980 sales. Sales in the first eight months of 1981 compared with the same period in 1980 showed a 10.1% increase . . . The *Wholesale Hardware Index* of the National Wholesale Hardware Assn. was 21.5 points (9.7%) below July's and 16.5 points (8.9%) above that of August 1980 . . . The National Welding Supply Assn.'s *Welding Supply Index* increased to 157 in August from 156 . . . The *Quick Pulse Index* of the National Assn. of Aluminum Distributors stood at 110.4 in August, up 4.8 points (4.5%) from July but down 0.4 points (0.4%) from the year-ago level . . . New orders for machine tools rose to $214 million, a 10% increase over July but year-to-date totals are still running 35% behind the same period a year ago, according to the National Machine Tool Builders Assn. . .The third quarter will be worse than the poor second quarter, says a report from the National Assn. of Purchasing Management. Some 33% of purchasing managers indicated business will be worse for their companies in this quarter while 27% feel it will be better . . . The 12 leading indicators of future economic activity fell in August by 0.7% the Dept. of Commerce reports. □

August sales soar

August totals took off like a shot as sales zoomed 17% above year-ago levels. While general line gains of 14% couldn't match the spectacular performance of specialists, whose sales rose 20%, both groups report heavy increases around the country.

Regionally, the major upturns occurred in the West South Central, 28%; Mountain, 26%; East South Central and South Atlantic, 22%, and West North Central, 20%.

However, when compared with the previous month, sales figures were little cause for joy. Many areas marked declines, the largest of which was 6% in the East South Central. South Atlantic and West South Central distributors exhibited the biggest gains—5%.

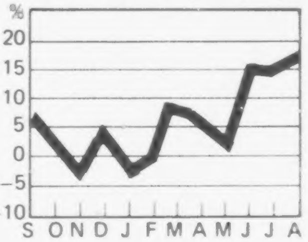
Year to date sales present an uneven picture. All distributors remain 6% ahead of last year. But modest gains by the heavily industrialized areas, including the East North Central and Middle Atlantic, offset stronger sales by Sunbelt distributors.

Yet even with all statistics taken together, distribution is faring better than such bellwether indicators as machine tool orders. They rose 10% in August 1981 when compared with the previous month, but remain 5% below year-ago levels, according to the National Machine Tool Builders Assn.

RECEIVABLES*	Aug. 1981		Aug. 1980	
	Gen.	**Spec.**	**Gen.**	**Spec.**
New England	42.1	43.5	39.7	40.8
Middle Atlantic	44.3	47.4	40.2	47.4
South Atlantic	32.5	34.7	34.8	36.7
East North Central	39.9	34.7	39.7	39.6
East South Central	41.8	60.0	36.0	60.0
West North Central	40.2	36.3	38.3	41.3
West South Central	46.6	43.1	47.2	37.3
Mountain	39.8	33.5	37.5	41.4
Pacific	36.3	40.0	35.1	36.3
National	40.4	41.5	38.7	42.3

*Average days outstanding

% change in sales when compared with same month in previous year



August sales picked up steam after reaching a plateau in July . . .

SALES BY REGIONS (% change)	Aug. '81 vs. July '81			Aug. '81 vs. Aug. '80			8 mos. '81 vs. 8 mos. '80		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	− 2	− 2	− 2	+ 3	+15	+ 7	+ 2	+13	+ 6
Connecticut	+ 5	−29	− 6	+ 2	−17	− 4	+ 1	+ 2	+ 1
Massachusetts	− 6	+ 3	− 3	+ 8	+24	+13	+ 2	+18	+ 7
MIDDLE ATLANTIC: NY, NJ, PA	− 2	− 6	− 4	+13	+14	+14	+ 5	+ 7	+ 6
New York Metropolitan Area	+ 5	−10	− 5	+17	+14	+15	+ 7	+ 2	+ 4
Upstate New York	−12	−18	−14	+13	+16	+14	+ 4	+ 7	+ 5
Pennsylvania	− 2	+ 3	+ 1	+ 7	+12	+10	+ 3	+15	+11
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+ 3	+10	+ 5	+22	+23	+22	+ 4	+14	+ 7
SC, VA, WV	+ 4	+ 9	+ 5	+28	+26	+25	− 2	+17	+ 6
Georgia-Florida	+ 3	+14	+ 7	+19	+18	+19	+11	+12	+11
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	− 6	− 4	− 5	+13	+24	+19	+ 4	+ 7	+ 6
Indiana	− 7	+63	+28	+22	+15	+19	+14	+15	+15
Wisconsin	−10	− 1	− 4	+ 8	+26	+20	+ 0	+ 4	+ 3
Chicago	−37	−22	−26	−13	+21	+13	−16	+ 9	+ 3
Michigan	+ 0	+ 1	+ 1	+22	+13	+18	+ 4	+14	+ 9
Ohio	− 4	− 7	− 5	+ 9	+43	+23	+ 4	+12	+ 7
EAST SOUTH CENTRAL: AL, MS, KY, TN	+10	−21	− 6	+13	+31	+22	+ 2	+20	+11
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	− 4	+15	+ 4	+26	+11	+20	+ 5	+ 1	+ 3
WEST SOUTH CENTRAL: AK, LA, OK, TX	+ 3	+ 9	+ 5	+26	+31	+28	+21	+23	+22
Texas	+ 9	− 1	+ 4	+16	+33	+25	+27	+26	+27
MOUNTAIN: NM, AZ, CO, UT, NU, WY, MT, ID	+ 6	− 1	+ 3	+11	+40	+26	+ 1	+ 8	+ 5
PACIFIC: CA, OR, WA	+ 7	− 5	+ 2	+ 6	+13	+ 9	+ 1	+13	+ 6
LA.-San Diego	−16	−12	−15	+12	+ 7	+10	+23	+10	+19
Oregon-Washington	+ 9	− 4	+ 3	+ 5	+14	+ 9	+ 0	+14	+ 6
U.S. TOTALS	+ 0	− 2	− 1	+14	+20	+17	+ 4	+ 9	+ 6

Computer update '81... YEAR OF THE COMPUTER

With costs plummeting and the advantages of computers compounding daily, distributors face tough choices in the year ahead—selecting the proper system and add-ons among myriad options, overcoming personnel resistance, seeing through sales deceptions and facing up to the grim realities of the computer crime explosion.

By **Peter Craddick**
Senior editor

As prices drop for both hardware and software, use of computers by distributors is skyrocketing. The proliferation of systems specifically designed for the industrial distributor has made the computer accessible to virtually any company, regardless of its size.

A scan of distributor computer statistics verifies the trend that computerization is no longer a rich man's game. Although use by distributors touting annual sales of $6 million and more rapidly is reaching the saturation point (87.4% for general liners and 87.9% for specialists), the market is wide-open for those at the lower end of the sales spectrum. Only 30.4% of general liners and 25.1% of specialists grossing less than $2 million annually currently use EDP equipment. From there, the totals leap dramatically to 67.7% for general liners and 68.7% for specialists in the $2.0 to $3 9-million annual sales range. *Sixty-seven percent of all distributors using computers own them.*

With the distinctions between computers, mini-computers and even micro-computers rapidly becoming blurred, the systems most smaller distributors opt for are usually aptly classified as small-business computers. Price tags here run anywhere from $3000 to $35,000, although prices in the hundreds of thousands of dollars are not unheard of.

When the distributor makes the decision to automate, there are few guidelines on price to follow. IBM suggests that a business should budget approximately 1.5% of total annual sales for data processing. However, distributors agree that this standard is too loose to follow. The costs will always be higher because of business disruption and demands on the time of top management. But with industry specialists flatly stating that 25% of the average distributor's inventory doesn't move in a year, paring down unwanted stock could tip the scales toward automation.

Yet, even if a distributor concedes to the financial and convenience benefits of computerization, the basis on which its cost-effectiveness is measured is unique to the individual firm. No two firms operate under precisely similar conditions. Martin Schulman, vice president of Star Hardware, Birmingham, Ala., reports that his firm has been on-line in only one of five locations and only for a few months. Reason: For the past 15 months, the company has been methodically building its customized data base. It only recently put its headquarters inventory control on-line.

"Every distributor must make up his own mind according to his own profit performance," Schulman said. "But in my opinion there are criteria for distributors with $2 to $15 million in annual sales to follow. If stock turnover drops below 3.5 and the order fill rate is below 85%, then a distributor should really look hard at computerizing."

Schulman admits that these figures should serve only as tipoffs for areas that should not be handled manually. For instance, while a distributor doing less than $2 million in annual sales may be able to benefit from a computer, he doesn't necessarily need one unless his number of lines of billing is unusually low, thus generating an unmanageable number of invoices. Such a distributor could very well live with a low turnover rate and limited customer service, particularly if his business foundation rests on a few specialty lines.

Similarly, a distributor wanting to beef up turns and cash flow through automation need not immediately consider installing a computer. "If all a company needs is a better handle on receivables and payables, an independent service bureau can fill the bill. Most are very, very good," Schulman said.

The software connection

Dwarfing controversy over attributes of various hardware packages are the two very different stands on software. Distributors like Schulman prefer to take the customized route rather than buying a turnkey system.

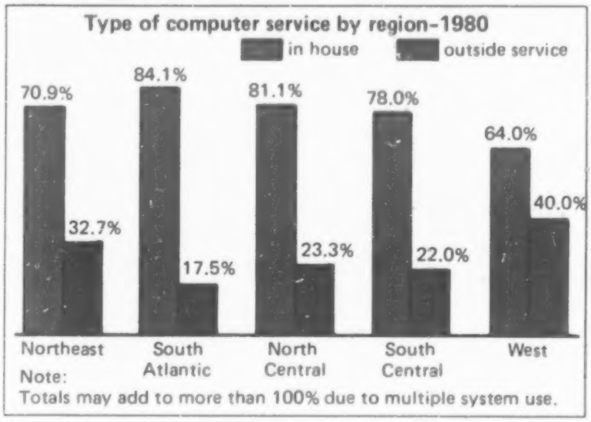
Even the most highly tailored software packages have features in common with others. So it was no inconvenience for Star Hardware to approach a local automotive wholesaler and offer to cooperate on the project. Together, they acquired a full-time staff of computer professionals. Recalls Schulman, "We got exactly what we wanted without the headaches of worrying if one of the data processing people could find time to stop by that day to solve a problem for us. That's a very important requirement."

One major problem was deciding which way to go: 100% outside service, time-sharing, installing a computer in-house or going turnkey. One temptation was to go turnkey because ostensibly it solves the problems of selection, installation and service. And even though turnkey has advanced considerably in its ability to meet distributors' unique needs, it has been rejected by many, among them Star Hardware. Says Schulman, "With a turnkey system you may not be able to decide whether to set prices at time of invoicing or time of shipment. And that," he continues, "is only one example. Turnkey systems don't always give you the latitude you need." They're often fixed to a certain set of parameters, none of which may be what you need in a system, he said. "And when something goes wrong, whom do you call, particularly when the vendor is out of state? Unless you're ready to live with extensive downtime, you have to deal with malfunctions on your own."

Not every distributor agrees. Packaged systems are the thing, says Daniel W. Judge, vice president and general manager, Ward-Beals, Inc., Lockport, N.Y. This general liner expects to install a second generation system early next year. His advice to distributors: Stick to packaged systems.

"Once you know what you want from your software, you can go out and buy a package. The market has changed so dramatically in the past few years, and there's enough available on the market, that a distributor should be able to find just about anything he wants. It has almost become a buyer's market," he said.

In fact, Judge's testimonial to the efficiency of computer packages is that the information gleaned from his own package pushed him out of a dying market. "We used to keep 20% of our inventory in plumbing and heating. After analyzing the market and our inventory levels with the aid of our system, we dumped the entire category,"



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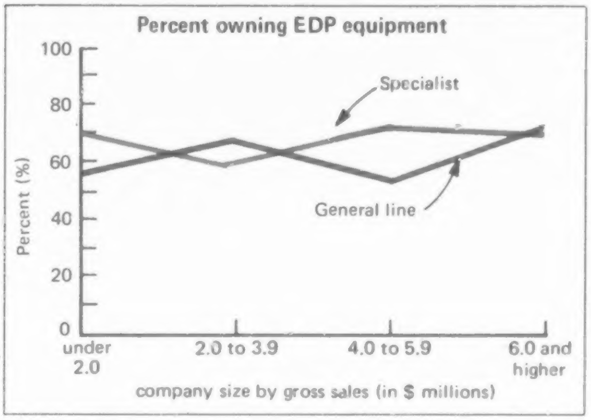

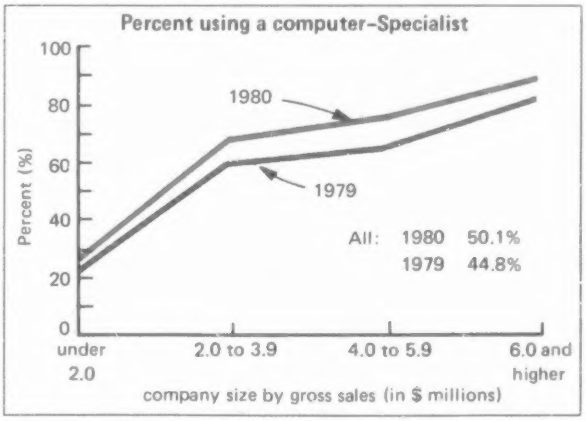

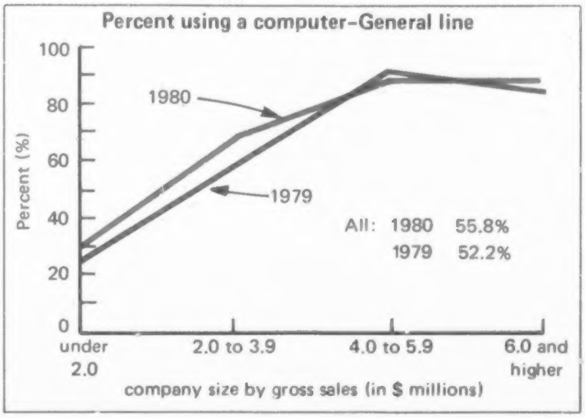

he recalls of the marketing decision.

Merely weeding out slow-moving or unprofitable inventory is only one way that computers have been altering distributors' ways of doing business. It is rapidly becoming a marketing tool of the first magnitude, and some businessmen are developing new ways of applying it to sales and inventory.

Only a sales tool

At Ward-Beals, the computer maintains perpetual inventory records. Judge declares that this is a tremendous aid in keeping turns up on special-order merchandise. "With the computer, you can keep track of the in-stock items by individual customer and you can call up the quantities on just those items. That gives you leverage over your customers." He adds, "With that kind of prodding, we find that specially stocked merchandise often turns more than our regular inventory."

Too many distributors allow the computer to dicatate what it will do, warns David Ragland, president, Stephens Industrial Supply, Oklahoma City. "A computer is only a sales tool. And that's all it is."

Ragland outlined his needs and found a turnkey system that would do his bidding the way he wanted it to. Actually, he conceded, turnkey or building-block, the system you choose "alters the way you operate." It not only needs to improve your internal productivity, he adds, it has to contribute to your growth by guaranteeing customer benefits, too. You look for a system that fulfills these needs.

Ragland feels that the system has to be "marketed" internally before it can benefit both the firm and its customers. He feels it is first necessary to drum up enthusiasm among sales staffers. If they don't regard the system with enthusiasm and become firmly convinced that it will increase their performance and earnings, it will never work.

"We gave our own salesmen the hard sell. Now, they know what it gives them, benefits like getting immediate backorder reports, making sure there are no holes in inventory, giving them a fix on special orders. This is important," concludes Ragland, "because there's a tendency among salesmen not to become familiar with their own stock. Having all this kind of information makes for a nice, neat sales presentation. With the computer, the salesman is in touch with his inventory; it's a kind of hands-on selling."

When it comes to profound benefits, the computer must be observed applying its magic to day-to-day internal operations particularly those home-base operations affecting sales. As Ragland puts it, "The system needs to work with your business hand-in-glove. Inventory is the hand, sales is the glove. They are totally dependent on one another." With the computer tied to inventory, there are no gaps in the selling or the ordering process simply because the computer forewarns of shortages, impending shortages and maybe even incoming delivery deadlines. Best of all, the information is precise and instantly accessible.

Inside salesmen are now more productive than ever, boasts Ragland. They can check the alternatives at a moment's notice via desktop terminals. While this is not new, use of terminals in distributorships is becoming a way of life from relaying visual or hard-copy management information to the top to nearly total elimination of troublesome back orders.

Ragland attributes his company's physical expansion—two more branches by the end of this year—to nothing less than his EDP. "We've looked at extending branch operations for years," says Ragland, "but we decided it couldn't be done without an on-line computer setup. Processing information between remote facilities any other way is so slow that often by the time you get inventory information, it's outdated."

Innovation

As distributors gain more experience with their systems, they derive more innovative marketing ideas than they could hope

[continued on pg 48]

Let the buyer beware . . .

In the past few years, the distributor has been blessed with a fast-growing selection of reliable vendors from whom to solicit EDP systems or services. But as more and more outsiders discover this still-ripe computer market, there will be more attempts to oversell those distributors not in the know. In his book, *How to Select the Right Mini-Computer*, consultant Harry J. Nelson warns computer customers to be doubly wary of deceptive claims, for example, absence of facts, misapplication of facts, and confusing the customer. Nelson offers these guidelines:

■ ***This system will handle all your requirements.*** A sweeping generality, this statement is made whether the salesman knows all, some or none of your requirements. It's sales hype. Recognize and ignore unsubstantial generalities. Analyze each system requirement separately.

■ ***This is the best computer on the market.*** Usually followed by a personal statement of belief in the system or the number of satisfied users, Nelson considers this simply more sales hype. Again, ignore unsubstantial remarks and analytically evaluate needs.

■ ***This disk capacity will certainly satisfy your requirements.*** The most misestimated hardware component appears to be disk space, and it's almost always pegged too low. According to the author, it's likely that a user will expand his system much faster than originally estimated; in about 20% of cases, users need two to three times more than planned. Since the situation is seldom recognized until several months later, caution is needed in this segment of system evaluation.

■ ***This new whiz-bang feature will be available in two months.*** Nelson advises mini-computer customers to translate the above sentence as "We hope this feature will be available in the future, but who knows when?" He says that he's been involved in situations when salesmen have simply lied, and the product wasn't even on the drawing boards. Don't relay on promised delivery dates for new features. If it doesn't exist today, don't count on it. On the other hand, Nelson believes that delivery dates for existing equipment are fairly reliable, with a lead time generally of 90 days. For software modifications, deliveries are sometimes accurate, often late, and almost never early.

■ ***That competing company is nearly bankrupt; they've had a lot of trouble with their systems lately.*** It's standard EDP sales practice to knock the competition to the point of instilling fear in the prospect. Part of a standard evaluation is to thoroughly investigate claims by checking with system users for references. Unless problems are uncovered in this way, ignore the statement.

■ ***This price is only good for 30 days.*** Standard sales pressure. The author claims never to have seen a single case in which the vendor did not extend price beyond a given date, sometimes by as much as six months.

■ ***We will give you a 15% discount if you become our first customer for this new software.*** Classified as the be-the-first-kid-on-the-block ploy, it's usually an honest attempt for the vendor to establish a new software product on the mini-computer itself. Often the manufacturer wants to make inroads in the customer's industry. So to the vendor, that first sale is important. A customer may even get an extra ration of attention to ensure he will be a good reference. But Nelson strongly urges customers to avoid it. It's just not worth it, because any new software system will contain errors which will have to be corrected. Being the first also makes the customer a guinea pig, subject to unknown, possibly serious, problems and delays.

■ ***A customized survey of customer operations.*** The survey is presented as an alternative to consultants and personal research. The basic problem is that the computer peoples' analysts are working for their company, not for the customer. They don't have his best interests at heart. The final recommendation is almost invariably the same: The seller's computer system is perfect. It may be. But a salesman's primary concern is to make a sale, and that's where his loyalty rests.

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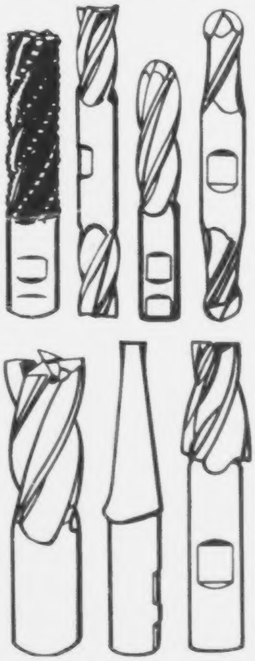

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to put into effect manually. At Allied Industrial Distributors, Los Angeles, six years of data processing experience have yielded 50% growth, mostly over the past four years, through pinpointing marketing efforts.

According to Alan Bennett, president of the three-outlet safety equipment specialty house, his salesmen use biweekly computer updates to keep accounts current.

"Our salesmen have a certain responsibility over the aging of their accounts. This helps save money in the administration of the credit department. And we've spread that money among the sales staff," Bennett said.

Even so, Bennett does not consider timely receivables as the primary advantage of his computer system. Aging accounts allows for precise marketing efforts because it eliminates time wasted on accounts with histories of late payments. Maximizing sales effectiveness is the name of the game.

Another way in which Bennett uses EDP to more fully service accounts is by supplying each, when asked for, with a complete rundown of everything it purchased during the year by item, quantity and cost.

"We provide this to aid our customers in their budgeting and in forecast preparation for the year ahead. We handle more than 4500 accounts in aerospace, shipbuilding and agriculture, all with different requirements. It would be impossible to give them sales recaps manually," he said.

Allied's two branches, located in Phoenix and Albuquerque, are linked to the Los Angeles headquarters via telephone lines. When an order comes into one and stock levels cannot meet demand, it's sent to the customer directly from another warehouse. Invoices (about 250 daily) are printed and mailed from the main office. But Bennett has set up the procedure so that while it's centralized, invoices are printed on the appropriate branch's letterhead.

"Our customers prefer to do business at a local level. So we maintain a local profile even though all our paperwork is handled centrally. We're getting the best of two worlds—local aura and image combined with central cost effectiveness," Bennett explains.

> 'If you give the duty to more than one, you'll find that nobody is willing to take charge'—
> Dave Ragland

The last breakthrough . . .

. . . of any significance in computers was probably the advent of the "mini." For now, the breakthroughs for distributors to watch are not in the rapidly improving hardware but in customized software and the hundreds of innovative and highly productive ways industry peers are using EDP. Hardware, software, systems and services offering countless new benefits will continue to pour out of the industry, and distributors, among others, will find new and better ways to apply them. Meanwhile, a watchful eye on day-to-day developments and a totally realistic fix on present and estimated future needs are highly recommended. **P.C.**

The human factor

Distribution is rife with tales of computer woes. One east coast specialist tried three different systems before throwing up his hands in dismay and relying on an on-line service bureau. But EDP for small business is moving so rapidly, most distributors regard problems as a learning experience.

Stephens Industrial's Dave Ragland considers the most important step in getting a system operational *not* in either the hardware or software phase but in the organization of staff resources. Having recently gone through the complex computerization process, he advises:

"Your orientation period to the computer will never be elaborate enough. Since a distributor's business is selling and servicing customers, there's a tendency to think of computerizing as just one more thing to do. Time passes. Priorities seem to shift, and the system becomes operational. So we found it best to simply make one person responsible. If you give the duty to more than one, you'll find nobody is willing to take charge."

In this distributorship, an employee with experience in warehousing, purchasing and inside sales was chosen. He stresses that when the person is put in charge, he should already be on the company payroll.

"Look toward someone within the organization," Ragland advises. "Promotion from within is of the utmost importance when putting together a computer system. It means that you upgrade job status, but eliminate jealousies that result when outside experts are called in."

Taking an inside route also helps quash what consultants call "computerphobia." It's natural for employees to resent automation. They feel it will substantially impede job performance or do away with their jobs entirely.

"I can safely say that no one person has lost his job here due to our approach to automation," Ragland adds. "In the beginning you find that you have to add people, but you don't lay off others. Computerizing leads to growth, growth without having to add people to do manual tasks. We still do business as we always did it before. We just do a lot more of it." □

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December 1981

Hotline:
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December, 1981
Vol. 71, No. 12/71st year
A Morgan-Grampian publication

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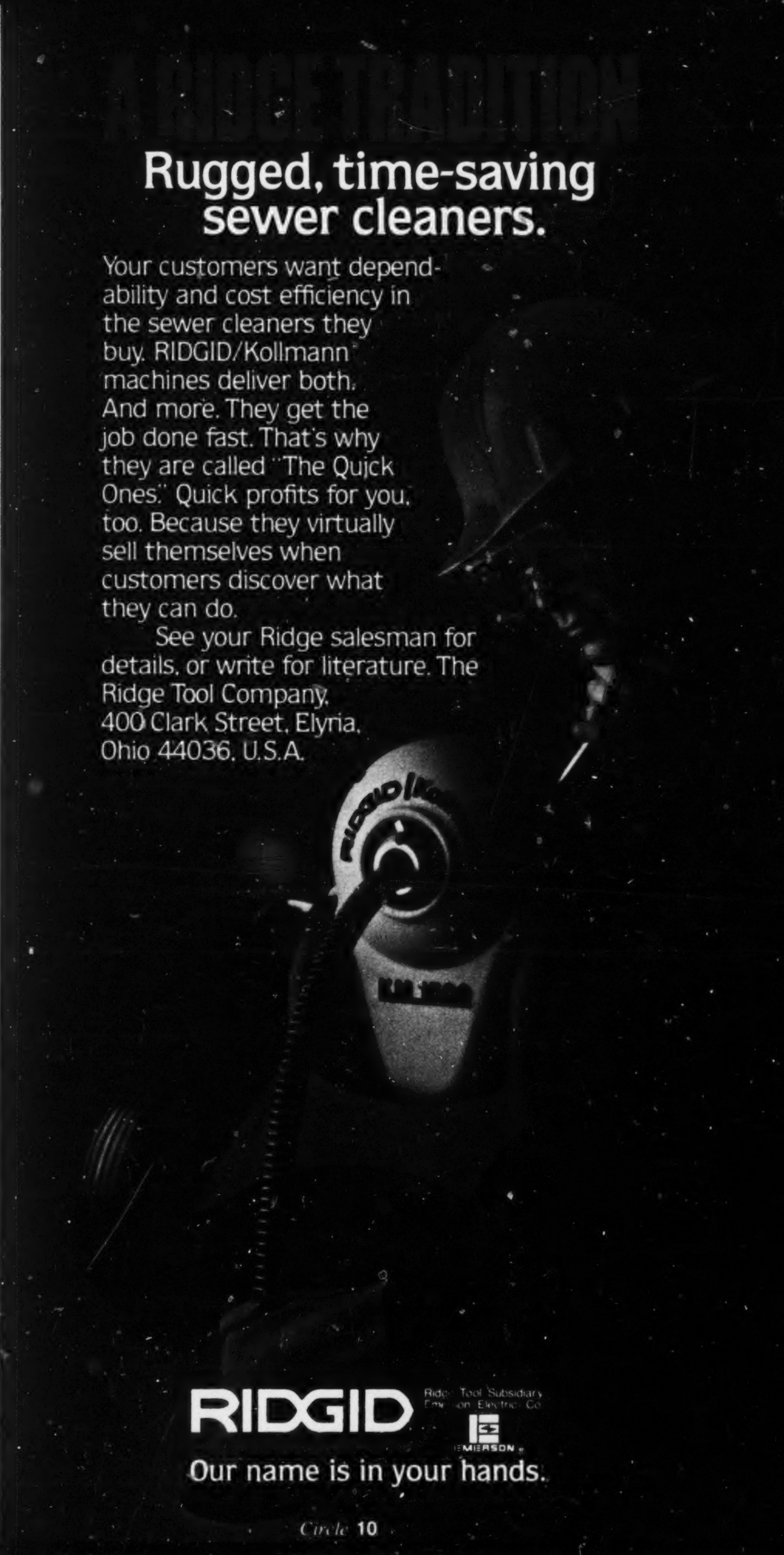
Indicators...

Purchases of industrial supplies and equipment declined in all areas of the country in September, according to the *NIDA-SIDA Industrial Distribution Index*. The national figure of 147.2 put the seasonally adjusted, two-month moving average 3.4 points (2.3%) below that of August. The figure is 13.1 points (9.8%) above the year-before level. Regional sales, comparing September to month-before and year-before levels, were: east, 147, down 2.3% and up 7.9%; midwest, 135.2, down 2.2% and up 16.8%; west, 183.1, down 0.7% and up 9.9%; south, 148.9, down 3.7% and up 7.9% . . . The *ASMMA New Order Index* for September reached 115.6, down 3.6 points (3%) from the August figure . . . The Federal Reserve Board's *Durable Manufacturers Index* during September dropped to 141.0, down 1.3% from August's 142.9 . . . The *SIDA Monthly Sales Trend Report* showed a 6% increase in September-to-August sales and a 17.7% rise in September 1981 over September 1980 sales. Sales in the first nine months of 1981 compared to the same period in 1980 showed an 11.1% increase . . . The *Wholesale Hardware Index* of the National Wholesale Hardware Assn. was 27.3 points (13.5%) above August and 16.9 points (7.9%) above that of September 1980 . . . The National Welding Supply Assn.'s *Welding Supply Index* rose to 170.5 from 157 in August . . . The *Quick Pulse Index* of the National Assn. of Aluminum Distributors stood at 108.9 in September, down 1.5 points (1.4%) from August and 9.8 points (8.3%) from the year-ago level...Machine tool shipments surged in September to $441.7 million, a 36% increase over August, according to the National Machine Tool Builders' Assn. Shipments for the first nine months of the year have outpaced the volume for the same period a year ago by 12% . . . The National Assn. of Purchasing Management issued a gloomy report in September. Production and incoming new orders fell, employment is down and deliveries from suppliers are faster, meaning fewer orders on hand. The report indicated 41% of purchasing managers surveyed predicted the third quarter would be worse than the second quarter, while 29% expect it to be better...The composite index of leading indicators dropped 2.7% in September, the worst plunge since April '80 (4%). □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September sales recede

August totals took off like a shot as sales zoomed 17% above year-ago levels. While general line gains of 14% couldn't match the spectacular performance of specialists, whose sales rose 20%, both groups report heavy increases around the country.

Regionally, the major upturns occurred in the West South Central, 28%; Mountain, 26%; East South Central and South Atlantic, 22%, and West North Central, 20%.

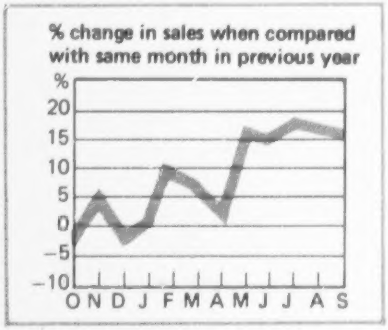
However, when compared with the previous month, sales figures were little cause for joy. Many areas marked declines, the largest of which was 6% in the East South Central. South Atlantic and West South Central distributors exhibited the biggest gains—5%.

Year to date sales present an uneven picture. All distributors remain 6% ahead of last year. But modest gains by the heavily industrialized areas, including the East North Central and Middle Atlantic, offset stronger sales by Sunbelt distributors.

Yet even with all statistics taken together, distribution is faring better than such bellwether indicators as machine tool orders. They rose 10% in August 1981 when compared with the previous month, but remain 5% below year-ago levels, according to the National Machine Tool Builders Assn.

RECEIVABLES*	**Sept. 1981**		**Sept. 1980**	
	Gen.	**Spec.**	**Gen.**	**Spec.**
New England	40.9	43.7	40.9	41.4
Middle Atlantic	41.7	46.7	39.1	46.6
South Atlantic	31.7	35.1	40.0	36.0
East North Central	41.5	42.6	40.1	39.0
East South Central	41.3	47.5	39.2	46.0
West North Central	46.7	37.8	45.2	40.2
West South Central	41.3	43.9	39.2	41.5
Mountain	41.1	40.0	36.4	—0—
Pacific	38.2	43.2	35.3	40.3
National	40.5	42.3	39.5	41.4

*Average days outstanding



Although sales momentum has slackened, totals remain well above last year's . . .

SALES BY REGIONS (% change)	Sept. '81 vs. Aug. '81			Sept. '81 vs. Sept. '80			9 mos. '81 vs. 9 mos. '80		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+22	+20	+21	+ 7	+34	+16	+ 1	+12	+ 5
Connecticut	+43	+17	+34	+24	+ 0	+16	+ 4	+ 1	+ 3
Massachusetts	− 1	+21	+ 6	−11	+51	+10	+ 1	+19	+ 7
MIDDLE ATLANTIC: NY, NJ, PA	+ 1	+ 4	+ 3	+ 6	+ 9	+ 8	+ 7	+ 7	+ 7
New York Metropolitan Area	+ 6	+ 2	+ 4	+ 2	+ 3	+ 3	+ 9	+ 3	+ 6
Upstate New York	+15	+ 6	+11	+ 9	+ 1	+ 5	+ 4	+ 2	+ 3
Pennsylvania	− 5	+ 6	+ 1	+ 6	+32	+19	+ 7	+21	+14
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+10	−18	− 1	+16	+ 9	+13	+ 2	+12	+ 6
SC, VA, WV	+ 7	−12	+ 4	+15	+ 4	+13	+ 0	+14	+ 2
Georgia-Florida	+11	− 9	+ 1	+10	+17	+14	+ 6	+12	+ 9
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+14	+ 3	+ 8	+22	+16	+19	+ 3	+ 8	+ 6
Indiana	+17	−51	−17	+34	−16	+29	+19	+12	+16
Wisconsin	+19	+ 9	+16	+28	+41	+32	+ 1	+ 8	+ 3
Chicago	+58	+16	+27	−12	− 4	− 6	−15	+ 8	+ 2
Michigan	+ 1	+10	+ 6	+ 9	+19	+14	− 2	+11	+ 5
Ohio	+14	− 4	+ 5	+14	+11	+13	+ 3	+11	+ 7
EAST SOUTH CENTRAL: AL, MS, KY, TN	+ 2	+ 3	+ 2	+15	+21	+17	+ 7	+12	+ 9
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+ 5	−10	− 3	+21	− 2	+15	+ 3	− 5	− 1
WEST SOUTH CENTRAL: AK, LA, OK, TX	− 3	+ 0	− 2	+14	+25	+20	+25	+27	+26
Texas	+ 2	+ 3	+ 3	+12	+32	+28	+17	+25	+22
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+10	+25	+16	+31	+32	+31	+ 4	+ 6	+ 5
PACIFIC: CA, OR, WA	− 4	− 1	− 2	+ 5	+17	+12	+ 6	+14	+11
L.A.-San Diego	− 4	−14	−10	+13	− 1	+ 5	+22	+18	+20
Oregon-Washington	− 4	+ 7	+ 2	+ 4	+29	+18	+ 4	+11	+ 8
U.S. TOTALS	+ 8	+ 2	+ 5	+15	+14	+15	+ 5	+10	+ 7

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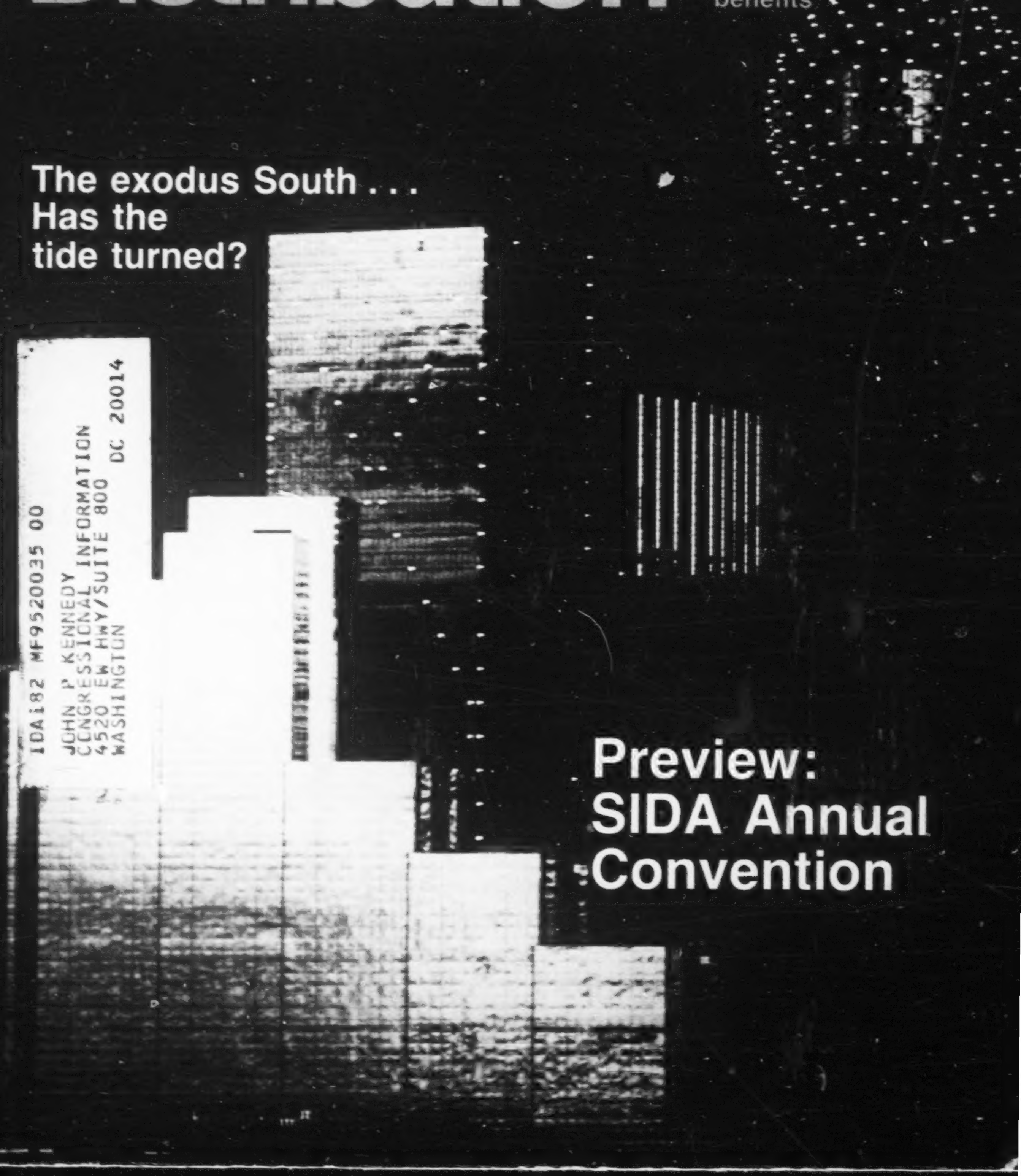
January 1982

Industrial Distribution

Hotline:
Industry ups R&D budgets; distributors see few benefits



The exodus South . . .
Has the tide turned?

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SIDA Annual Convention

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Indicators . . .

Construction trade purchases of maintenance, repair, and operating supplies from industrial distributors were slower than those of any other industry during October, according to the NIDA-SIDA *Industrial Distribution Index*. The index now stands at 147.9, up 0.7 points (0.5%) from September. However, the figure represents a rise of 12.2 (9.0%) from the year-ago mark. Regional figures: the east stood at 150.5, up 3.5 (2.4%) from September and 8.7 (6.1%) from October 1980; the midwestern figure for the month was 133.9, a drop of 1.3 (0.1%) in the month, but still 15.5 (13.1%) above the year-ago mark; the western index was 180.8, off 2.3 (1.3%) from September but up 10.3 (6.0%) from October 1980; and the south posted a monthly rise of 5.4 (3.6%) to 154.3, up 7.9 (5.4%) over the year before . . . The *ASMMA New Order Index* for October dropped 3.0 points (2.6%) from September, putting the new mark at 112.6 . . . The Federal Reserve Board's *Durable Manufacturers Index* dropped to 138.2 in October, down 2.7 points (1.9%) from September . . . The *SIDA Monthly Sales Trend Report* showed that sales in October were off 0.4% from September, but up 3.0% from October 1980. Sales from January to October were up 9.8% over sales from the same period in 1980 . . . The *Wholesale Hardware Sales Index* of the National Wholesale Hardware Assn. for October was down 13.9 points (6.0%) from September, putting the index at 216.3 for the month. That figure, however, was 8.3 (4.0%) better than October 1980. Regional figures: the east, 276.8 for October, down 1.2 (0.4%) but up 17.9 (6.9%) over the year-ago; the midwest, 170.6 in October, down 11.3 (6.2%) for the month but up 2.8 (1.7%) from October 1980; the west, now at 248.7, down 8.6 (3.3%) for the month but up 11.2 (4.7%) over the year-ago; and the south, at 208.0 for October, down 36.1 (14.8%) from September but up 4.6 (2.3%) from October the year before . . . The National Welding Supply Assn.'s *Welding Supply Index* declined in October, registering 160.8, or 9.7 points (5.7%) lower than the record-setting September mark . . . The Material Handling Institute reports bookings for August of $324.0 million, down 25.2% from the month before, 13.3% lower than the year-ago figure. August shipments were down 10.3% from July. ☐

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October sales skid

Continuing last month's downward momentum, October sales slid drastically from earlier highs to reach levels only slightly ahead of 1980 totals.

Monthly figures show that specialists marginally led in sales activity with a 5% gain over the previous year, compared to general liners' 4% upturn.

However, regional totals show an uneven picture. Distributors in the East South Central, Massachusetts, Texas, Michigan and New York City report double-digit gains for October of this year while Chicago and upstate New York report double-digit losses.

Year-to-date sales nationally demonstrate that specialists are outdistancing the 8% projected inflation rate, and that general liners are falling slightly behind. Totals are 9% and 5% respectively.

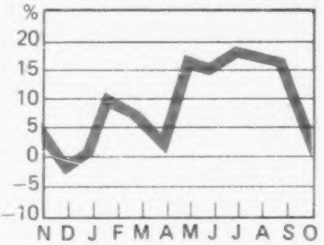
Spectacular growth continues in the West South Central with a 25% hike for the year-to-date. However, the East South Central posts a 1981 sales increase of 15%, with specialists leading the way with a 24% jump.

But for distribution overall, October sales marked the beginning of the officially declared recession. According to the Dept. of Commerce, leading economic indicators plunged 1.8% for the month, foreshadowing a lengthy recovery.

RECEIVABLES*	Oct. 1981		Oct. 1980	
	Gen.	Spec.	Gen.	Spec.
New England	43.9	50.0	41.0	45.5
Middle Atlantic	41.0	47.6	38.3	45.0
South Atlantic	35.7	35.7	33.8	35.2
East North Central	38.5	40.4	38.2	37.9
East South Central	39.0	44.7	40.5	42.9
West North Central	38.6	44.2	36.5	37.8
West South Central	45.0	41.8	42.0	41.7
Mountain	41.9	44.6	37.6	43.1
Pacific	34.6	36.4	32.0	41.0
National	39.8	44.5	37.8	43.0

*Average days outstanding

% change in sales when compared with same month in previous year



A dramatic plunge from earlier peaks puts sales only marginally ahead of 1980. . .

SALES BY REGIONS (% change)	Oct. '81 vs. Sept. '81			Oct. '81 vs. Oct. '80			10 mos. '81 vs. 10 mos. '80		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−11	+ 9	− 5	− 4	+19	+ 3	+ 3	+ 9	+ 5
Connecticut	−25	+29	+ 2	− 6	−16	− 5	+ 3	+ 3	+ 3
Massachusetts	+ 3	− 0	+ 2	+ 2	−21	+10	+ 7	+12	+ 9
MIDDLE ATLANTIC: NY, NJ, PA	+17	+ 4	+ 9	+18	+ 2	+ 8	+ 7	+ 5	+ 6
New York Metropolitan Area	+11	+ 4	+ 6	+18	+ 7	+10	+10	+ 4	+ 6
Upstate New York	+ 3	− 4	− 2	− 3	−13	−10	+ 4	+ 3	+ 3
Pennsylvania	+23	+11	+18	+22	− 2	+13	+ 6	+10	+ 8
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	− 5	+ 7	+ 0	+ 1	+ 6	+ 3	+ 6	+14	+10
SC, VA, WV	− 8	− 1	− 6	− 3	− 7	− 4	− 2	+12	+ 2
Georgia-Florida	− 2	+ 3	+ 3	+ 4	+ 7	+ 6	+13	+12	+13
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+ 0	+17	+ 3	− 1	+13	− 5	+ 0	+10	+ 4
Indiana	+ 5	+15	+ 7	+ 7	−10	+ 7	+ 0	+ 8	+ 4
Wisconsin	− 2	+15	+ 5	+ 4	+28	+14	− 1	+10	+ 3
Chicago	−14	+24	+ 5	−23	−12	−18	−16	− 7	−12
Michigan	+11	+15	+13	+13	+ 7	+10	+ 5	+ 9	+ 7
Ohio	− 4	− 4	− 4	− 6	− 6	− 6	− 7	+10	− 2
EAST SOUTH CENTRAL: AL, MS, KY, TN	+16	+ 6	+13	+22	+12	+16	+10	+24	+15
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+ 7	− 3	+ 1	+ 6	−10	− 3	+ 7	+ 1	+ 4
WEST SOUTH CENTRAL: AK, LA, OK, TX	− 3	+10	+ 3	+ 3	+16	+ 9	+23	+27	+25
Texas	−26	+ 8	− 6	+ 1	+21	+14	+27	+29	+28
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	− 3	+ 4	− 1	+13	−15	+ 6	+12	−11	+ 6
PACIFIC: CA, OR, WA	+ 5	−13	− 3	+ 0	− 8	− 3	+ 2	+13	+ 7
L.A.-San Diego	+ 3	+ 6	+ 4	− 3	− 1	− 2	+ 5	+11	+ 7
Oregon-Washington	+ 6	−20	− 7	+ 1	−10	− 5	+ 1	+ 4	+ 3
U.S. TOTALS	+ 2	+ 5	+ 3	+ 4	+ 5	+ 4	+ 5	+ 9	+ 7

The exodus South

Has the tide turned?

The story of migrations from the economically besieged Snowbelt to warmer climes is a phenomenon of the last two decades. From 1960 to 1980, population in the south swelled from 58.5 million to 79.6 million. Industries sprang up overnight from Miami to Silicone Valley in northern California. In 1980, some 500 companies relocated to Louisiana alone. Currently, more than 450 of the Fortune 500 have offices in Atlanta. But has the unparalleled upsurge in Sunbelt economic activity peaked? Many northerners say yes, and cite the spiraling wage and tax rates that are rapidly closing the cost-of-doing-business gap. Stalwart southerners, however, disagree, and claim that the nationwide recession is only temporarily bogging down regional growth.

Oil, gas and growth . . .

Texas and Oklahoma make up a sizable part of the Sunbelt. But they must be treated separately. Business in these oil centers of the U.S. is almost too good to be true, particularly when much of the nation is bogged down by recession.

Alvin Thompson, sales manager for Mideke Supply Co., Oklahoma City, reports that some of the oil rig manufacturers in his area are backordered for five years. This is a familiar story around the region, prompting one southeast distributor to remark, "We should have such problems."

The five branches of Radcliff Supply Co., headquartered in Amarillo, Texas, span the western half of the state, including the Panhandle, Odessa and El Paso. While riding the crest of an energy wave, president Rex R. Radcliff explains that new business is providing a full mix of manufacturing.

"We sell a lot of safety equipment for the oil and gas industries, but also hose and fittings and rubber goods. Corning put in a fiberglass plant, and a new copper refinery was built in Amarillo. We've got a good balance of industries, except automotive, which I thank God for," Radcliff commented.

The latest Radcliff branch to open was the one in Odessa. Starting up last July, the outlet outpaced in growth the 12% company-wide average. "That's to be expected at first. Sales in Odessa will even out once the branch reaches full market potential. Overall, I'd say that business is right under a booming level," Radcliff estimates of the specialty distributorship grossing $6 million annually.

And he believes the trend will continue. "People need energy to keep warm in the winter and cool in the summer. Anyone can put off buying a new car or furniture. But they still have to cook and heat their homes," he explains.

Even with a virtually recession-proof economy, Radcliff is holding off on further expansion at present. "Some areas look tempting, but we've decided to work internally on operations. At the moment we're putting in a new computer. Interest rates are too high to open more branches. I enjoy putting money into my company, not taking it out," he said.

Clouds are forming over the Sunbelt. The once-great immigration flood of the past two decades has dwindled to a trickle. Although experts are split as to whether growth for the region has peaked or is merely taking a breather while waiting out the 1981-82 recession, it's clear that some northerners are reconsidering their positions and staying put.

In the years 1970 to 1980, the populations of Baton Rouge, Houston, Austin, Tampa and Atlanta all grew between 30% and 50%. Migration has swelled the census rolls of Texas and Florida by more than a million, representing in Florida a fourth of the total state population. While a net migration to the Sunbelt persists, among many businessmen in traditional manufacturing centers the ardor to pull up stakes has cooled.

Although he maintains that significant business opportunities still exist in the areas of metalworking and manufacturing, economist Bernard Weinstein of the University of Texas explains that tax and labor cost increases are making "the whole nation more homogeneous," as the low-cost regions begin to catch up with their highest-cost neighbors.

Supporting data from the U.S. Bureau of the Census show that some of the most startling jumps in state and local taxes, critical factors in business relocation, have occurred in New Mexico, Wyoming, South Carolina, Nevada and Louisiana. Among the most stable areas have been New York, Vermont, Connecticut and Illinois. Put another way, the state and local tax per capita in Illinois at $706.67 is not far above Oklahoma's figure of $659.99, and below Louisiana's total of $716.32.

Ken Aldrich, vice president of business and economic development for the Indiana Chamber of Commerce, is one who, perhaps predictably, remains bullish on the north and midwest, believing the southern migration flame is burning out.

"I'm convinced," Aldrich said, "there is a trend against movement to the south. I spent most of the summer of 1980 in the southwest, investigating business conditions for the chamber of commerce. The reasons for the out-migration in the 60's and 70's are beginning to reverse, or at least achieve a stage of equilibrium."

To prove his case, he says the inexpensive energy which proved previously to be a substantial lure to businessmen is a thing of the past as environmental groups in most southwestern states have set up blockages against continually enlarging energy capacity. As Sunbelt wage rates escalate, cheap labor disappears. Water resources, an essential for manufacturing expansion, are, according to Aldrich, in short supply and rapidly becoming a critical issue.

"The list goes on and on," Aldrich notes. "But in our state, for instance, we have a natural manufacturing climate with plenty of natural resources. Yes, the trend of moving out of our region is going to reverse, I think early in the decade."

Business climate improves

To retain and lure business back into the regions hardest hit by the southbound exodus, northern states are taking tips from their Sunbelt counterparts and passing legislation conducive to business. In Indiana, 19 bills were passed last summer, including appropriations for roads and sewer construction and tax abatements for new businesses. To upset the southern applecart, traditional manufacturing centers in the north and northeast are taking an aggressive development stand.

"The most important thing," Aldrich continues, "is that we realized we can control our own business destiny. As basic as it sounds, that's where we had to begin. Before 1980 we were passive. Now we have aggressive programs to give us an industrial edge, such as providing funds for vocational education."

More than that, representatives of northern states contend that with their far greater experience in industrialization and planning for growth, the scales will tip in their favor.

Aldrich summed it up this way: "Growth in the south occurred so rapidly that it ran away from the governments, and growth has become a social issue. Many local elections are based on growth/no-growth issues. Some communities in Colorado have established no-growth policies by, for example, setting rigid sewer limits. That means no more construction is allowed. Growth surged without any concrete planning most of the time, and left a bad taste in the mouth of many who experienced it. In terms of market, those companies that flew down south in the 70's for market penetration have already achieved it, and now it's not growing as fast. So they're looking for next-generation strategies, and we're betting they will set their sights on targets here."

Pace slackens

James E. Montgomery, president and CEO of the Gage Co., Pittsburgh, agrees that the pace of Sunbelt growth has slackened, but sees little chance of remigration.

"The exodus is not really continuing," said this general liner with branches scattered throughout Pennsylvania, Ohio, West Virginia, Maryland and Michigan. "If you think back over the past year or two, you're not experiencing the business shifts today that were once rampant. I suspect this has a lot to do with the labor market in the Sunbelt. Manufacturers moved down there because they thought they could get away from union activity and high wages. But it's just not worked out that way. Cost of living and wages have been soaring in the south."

Montgomery asserts that spiralling labor costs in the Sunbelt have combined with more realistic union demands in the north to

North *vs.* south? Two viewpoints . . .

As the debate heats up over which part of the country is more conducive to manufacturing, ***ID*** talked with two companies; Carmet, which is making a move from Detroit to Spartansburg, S. C., and the Timkin Co., a steel mill that decided after exploring options in the south to remain in Canton, Ohio.

Carmet's vice president and general manager, David H. Fenton, explains that the reason for the move from Michigan to South Carolina was based on economics.

"We needed to expand, and unfortunately the cost of doing business in the area we were in prohibited it. A lot of factors go into this, including wages, worker's compensation and fringe benefits. In all these categories, Michigan is just about the most expensive place in the country, depending on whose figures you use. But wages aren't the only criterion, and other operating expenses must be taken into consideration," Fenton said.

Figures from government agencies show that the average weekly manufacturing wage in Michigan is $375.40, while in South Carolina it's a mere $222.14. Although energy costs per million BTU's are roughly the same in both states, state and local taxes per capita are substantially less in South Carolina than Michigan. The figures are, respectively, $615.24 and $958.84.

"Our operating costs will actually be lower in the new facility," Fenton adds. "This will allow us to build inventories and provide better deliveries."

Staying put

Even with the apparent financial advantages of moving south, Donald Eagon, a spokesman for the Timkin Co., decided to stay put. When a new steel complex was needed, the company investigated the south, but then chose to remain in Canton.

"We looked at sites in Virginia and ruled them out, as well as in Tennessee and Kentucky. We do have plants in South Carolina, and North Carolina but opted for Ohio, largely because the state provided inducements such as tax abatements and road improvements, and it became more economical in the long run," Eagon said.

Also important are the nature of the complex and the labor force that will be needed to run it. Melting, rolling and finishing will be handled by the new $500-million facility. The high-technology aspect of the work requires highly trained personnel.

"The state offered to provide funds and some manpower for instructors, as well as a building to train our people in. That's important. The work we'll be doing will be highly sophisticated, and the demand for retraining will be high," Eagon added. He expects the plant to be operational, turning out steel and bearings for the aircraft, energy, mining and aircraft industries, by the spring of 1985.

stabilize migration patterns. To illustrate the point, he cited the case of the Timken Co., a steel complex headquartered in Canton, Ohio.

"The Timken union wouldn't make any concession in their demands and pursued the traditional labor policies regarding salaries and fringes. But then the company threatened to build their new steel complex in the south, and the union rethought its position. Unions here recognize now that they can't make some of the demands they've made in the past if manufacturers are going to stay in business," Montgomery explained.

However, at the same time he said that the much-touted move back to the north is outside his sphere of experience.: "I just haven't seen much evidence of union workers returning from the Sunbelt, other than a few comments here and there in the newspapers. Neither have I seen companies returning."

Harry Jones, president of the Airoyal Co., Maplewood, N.J., and the Fluid Power Distributors Assn., concurs. He said, "I might have noticed a slowdown in the number of manufacturers going south, but frankly, I don't know of anyone who's come back."

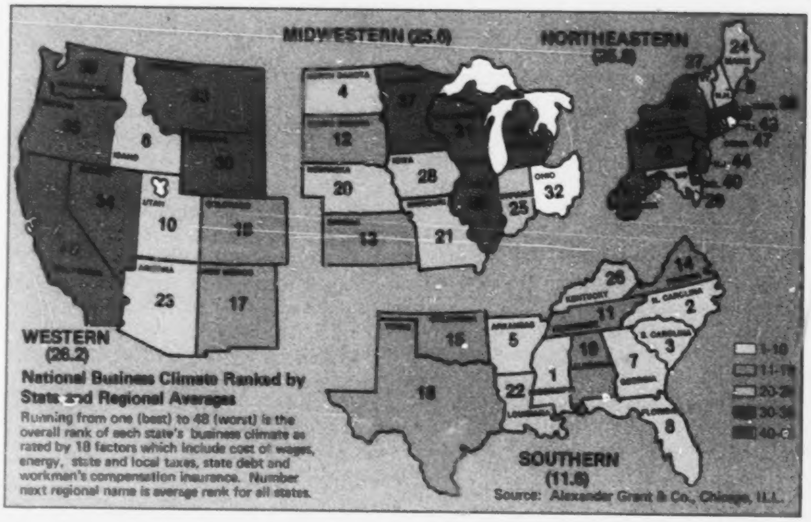
Located in a suburb of Newark, Airoyal is smack dab in the middle of one of the most depressed business areas along the east coast. Newark and one of its sister cities, Elizabeth, are offering tax abatements to attract new business. Additionally, the state of New Jersey has set up the Economic Development Administration, which finances expansions with state funds.

"Setting up EDA is a very positive step," Jones comments, "but it's the only real measure that I know of. The tax incentives look good, but many really can't take advantage of them. To use us as an example, if I relocated into downtown Newark, I'd lose 80% of my staff. Our people don't want to go into the city to work. Most already have a 10-mile commute and dislike the inner cities anyway. So tax incentives don't mean much to firms like ours."

Recession a factor

Whether or not one agrees that the Sunbelt has lost much of its attractiveness and that interest in moving there has been permanently clipped, it's hard to deny that virtually all enthusiasm to expand anywhere has been dampened by recession.

Gary Buffington, executive vice president of the Southern Industrial Distributors Assn., comments, "What you find economically in the south is what you're going to find around the rest of the country. Money is tight and business is off. With the exception of pockets like the southwest, which is oil-rich, business is soft everywhere. Companies don't have the funds to migrate even if they want to. I feel very strongly about the prospects of growth of our region. Business may be off, but it's still better than in most parts of the country. And remember, many distributors here are feeling the effects of recession for the first time in their histories."



National Business Climate Ranked by State and Regional Averages

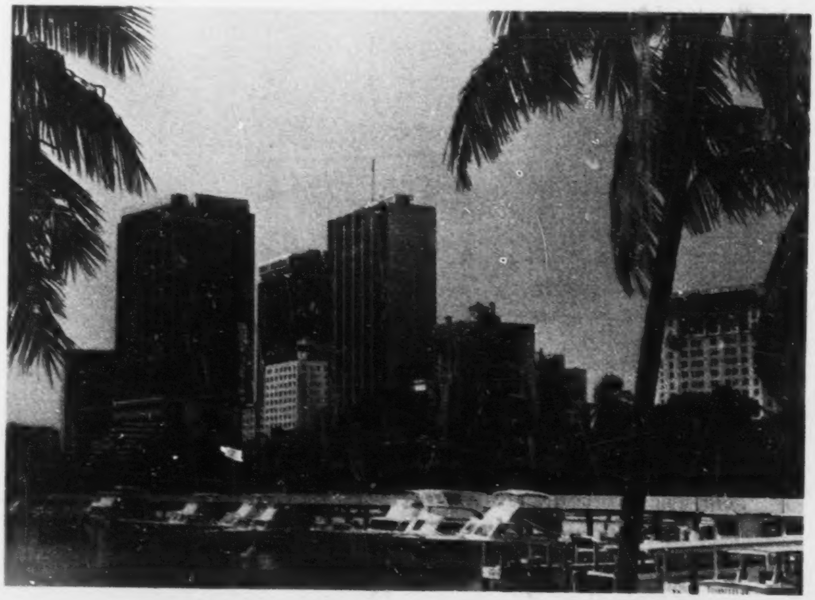
Running from one (best) to 48 (worst) is the overall rank of each state's business climate as rated by 18 factors which include cost of wages, energy, state and local taxes, state debt and workmen's compensation insurance. Number next regional name is average rank for all states.

Source: Alexander Grant & Co., Chicago, ILL.

Considering the current recession merely a temporary dark cloud on the horizon of the Sunbelt's growth, Jay Marx, president of Southern Hardware Co., Ltd., Monroe, La., explained the situation this way: "What concerns me is the recessionary factors that have just begun filtering into our area. The next three or four months will be rough, and that time will start separating the men from the boys. I'm experiencing a slight slowing down in receivables, and am getting fewer large orders. I know of a number of very old, established companies that are facing bankruptcy right now.

"Everything isn't peaches and roses, but it's not all that bad, either. Within the past year three new companies have moved into the Monroe area, including a chemical processing plant. Our problem is the economy in general. Take interest rates. The difference between 8% and 20% on a $100,000 loan is $12,000. That's the difference between a good year and a bad one for a small company. It's scary, and something over which we have no control."

Even so, Marx is positive about the future. In a region dependent historically upon agriculture and the paper mill industry, he sees little change in the industry mix. Instead, he envisions continued, if slow, growth. "I'm a CPA and were I in Boston and a client came to me wanting advice as to where to build a plant, I'd have to point him south. The northern states may be trying to sweeten their pie, but we sim-



ply have more to offer," he continued.

If some areas in the Sunbelt are beginning to feel the first ripples of recession, others have been staring it in the face for some time. One such distributor is Fred C. Williamson Jr., president of Chattanooga Saw and Supply Co., Inc., Chattanooga, Tenn. He saw sales start sliding in May 1980. Then the downward pressure intensified. Rockwell closed its foundry; 3M closed a plant; the Tennessee Valley Authority shut down construction in one facility, and another of the distributor's customers went bankrupt. Of Chattanooga Saw and Supply's top 20 accounts, four went under in a single year.

Hit hardest

"Southeastern Tennessee is dependent on the foundry industry, which has been hard hit," said Williamson. "Businesses around here do job work for the automotive and trucking industries, and I don't have to tell you what's happened there. Also, they make water main lines and valves, but with housing in its current condition, that segment has been going down. Western Engineering, which is big here and works with the nuclear business, has not had a new order in years. It's been laying off people each Friday for the past three weeks. It's the first time we've been hit this hard. During the 1974-75 recession, we felt a few side effects, but nothing like this."

He describes his area as a relatively old, heavy-industry region. Consequently, it's much more highly unionized than others. "There's no question in my mind," he comments, "that the reason 3M shut down was because of the unions. They have plants in Georgia and Florida, and they simply consolidated them. Labor is expensive here, and as far as growth is concerned, we've peaked. South Carolina and other states may still be making it, but not this area."

Williamson is experiencing what many northern distributors have for years, attenuating markets and sagging sales. He is also learning the art of survival that his northeastern counterparts already have mastered. Since last March he's reduced his staff by three through attrition to a trim 28 people. A cutting tool specialist grossing $3 to $4 million annually, he witnessed a sales dropoff in 1980 from 1979. In 1981, he managed to steady the sales helm, but found that he had to enter the rough and cold waters of price competition and cut inventories. Expansion into new territories, such as westward to central Tennessee with its relatively strong economy, was necessary.

Another area previously immune to recession but which is now feeling the sting of layoffs and economic uncertainty is northern California's Silicone Valley. Faced with rampant price cutting and increased competition from Japanese imports, the prosperous residents of the high-tech area dependent upon semiconductor production find themselves much in the same situation as those in Detroit.

With price reductions forced by overseas competition running at approximately 30% per year, the struggle for survival in the Silicone Valley is claiming casualties almost daily. Itel Corp. recently asked its management to stretch its workload from 40 hours weekly to 50, without any increase in pay, and is delaying opening a new $50-million plant. Mostek Corp. has laid off roughly 5% of its workforce. Texas Instruments, headquartered in Dallas, laid off 3% of its employees, and will lose about $25 million this year on semiconductor sales.

With semiconductors used in everything electronic, Itel's vice chairman, Robert N. Noyce, remarked that sales for this industry provide the key for the state of the economy. One distributor added that he wouldn't be surprised if the area saw a repeat of the 1974-75 recession, when manufacturers cut spending by as much as 50% and laid off a full 33% of their work forces.

More up than down

But even if the Sunbelt is acquiring some of the pockmarked features of the Snowbelt, the outlook for its overall complexion remains clear. Lending credence to this forecast are the comments of James E. Ketter, president of Milwaukee's Tools and Abrasives, Inc., who said: "I believe that growth will definitely continue in the Sunbelt. Manufacturers around here may not be closing down right and left, but they're not growing, either. When they expand, they move south. Our market area is southeast Wisconsin, and there has been some shrinkage here, although we've managed to keep our sales ahead of a year ago through developing new customers and relying more on telephone sales. But let's face it, taxes in Wisconsin are terrible. In addition to high property taxes, we've got an 11% income tax, which was just lowered to 10%—a move in the right direction. But no one from the city or county has stepped forward offering help, and metropolitan Milwaukee has had a negative population growth for years."

"It's a bit hazy in our area because of the economy we're facing," comments Ray M. Prichard, senior vice president, Moore-Handley, Inc., Birmingham, Ala. "Sales in the southeast are flat. However, we shouldn't let the fact cloud our thinking. The rate of industrial growth in the Sunbelt will continue and will outstrip the Snowbelt. I anticipate that a flat economy will continue for us though the first and maybe second quarters of 1982. Then look for vigorous expansion."

Prichard's rationale is simple, and is reflected throughout the south: Different industries have moved to the region, and those largely are not dependent on the vagaries of the U.S. economy. Datsun, Sony, Volkswagen and Michelin are among those that have opened manufacturing facilities in the geographic south.

Such new industries will affect distributor operations in a variety of ways. For one, Prichard thinks, alteration of stock for general liners may have to become more specialized to meet new demands.

A more fundamental consideration though, is the people necessary to man the machines and service the accounts. And here, as in other areas, Sunbelt businessmen believe they have the special edge.

Education on the rise

Sunbelt businesses and governments picked up the educational gauntlet when industries began their wholesale sweep into the region more than a decade ago. Prichard believes that vocational training, offered in many states as well as ID programs on regional campuses, have proved effective inducements.

"Our work force is simply better than in most areas," he flatly stated, "because of state participation in technical training programs including machine shops, metalworking and welding. This marks a change. What we had in the past were really no more than laborers. But now a trained, skilled workforce will become a strong inducement. For one thing, it won't take a manufacturer as long to train people for the branches it wishes to open in the south. Nor will they have to take their workers away from branches they have already operating to get a new plant on its feet, which can take a very long time."

Ronald G. Raymond, president of J.G. Christopher Co., Jacksonville, Fla., relates an incident which typifies Sunbelt educational attitudes. Comparatively new to his area are such industrial giants as Bendix Corp. and Burroughs. When the former was

The Top Ten

According to the Bureau of Labor Statistics, seven of the most favorable industrial locations as rated by average weekly manufacturing wage are Sunbelt states.

Mississippi	$205.82
North Carolina	$207.47
Rhode Island	$212.13
Arkansas	$217.46
Georgia	$220.04
South Carolina	$222.14
New Mexico	$228.10
New Hampshire	$228.63
Maine	$234.03
Tennessee	$235.30

setting up its move, the city's junior college provided special vocation training courses tailored to Bendix's needs. "Bendix was pleased, to say the least," Raymond notes.

As the economic tone of the area continues changing—from pulp and paper processing to manufacturing and defense—educational programs have kept pace. Special-skills centers now dot Jacksonville.

"Labor here is available and qualified. And as my accounts become more technically oriented, as a distributor I'll have to provide them with more product expertise and support. But we'll meet the challenge. People here have a strong work ethic, and are willing to give a day's work for a day's pay. If northern workers don't change their attitudes, they're going to continue to lose the industry that feeds them," Raymond concluded.

F.P. Fensel, president of F.P. Fensel Supply Co., Wilmington, N.C., sees many of the same changes in his area, and is meeting them the same way.

"In the past 10 years several chemical industries have moved into our area including Du Pont and Hercules. A good number of electrical, computer and pharmaceutical plants have moved into the Raleigh area, and some of these have been foreign companies either expanding or taking over existing structures. We've had to change our selling procedures to provide more in-depth knowledge," Fensel explained.

When Fensel was asked how the influx of foreign companies, mainly in the pharmaceutical and chemical industries, has changed his operations, he replied that the effects have been minimal.

"We deal with newer customers," he said, "In much the same way as we always have. The foreign companies blend in—they learn how to do business in the U.S. because we all work pretty much the same way. They have to conform to us rather than the other way around."

Like many Sunbelt distributors confronting changing markets, Fensel has had to alter his inventory to accommodate new industries, but maintains that the changes haven't been great because he's a general liner. However, a rethinking of his market strategy was called for.

Part of Fensel's new marketing strategy is to use his outside salesmen largely as consultants, breaking the ice and building the company image. Technical expertise is provided by the inside salesmen.

"Salesmen have to be trained more extensively than before, and our suppliers work with us on that score. An outside salesman can give the customer a basic idea of what he'll need, but when it comes to actually placing the order, an inside man takes over with precise knowledge. To fill these kinds of gaps, several of the colleges in our area are offering four-year programs in industrial distribution. I haven't used any of the graduates yet, but I certainly intend to. That's where a whole lot of training will be forthcoming, and it will be used extensively," Fensel concluded.

Summing up the picture of the Sunbelt, Jim Horne Jr., president of Jim Horne Mill Supplies, Albany, Ga., offered these remarks:

"The vocational schools are taking a leading role in producing the skills required by the manufacturer establishing business in the Sunbelt. Manufacturing managers work hand in hand with the schools by setting up prototype machines for people to learn on. The schools are taking raw, untrained people and transforming them into the skilled staff a manufacturer needs.

"If we continue to combine this with doing our part in labor, in energy, etc., we will continue to create as good a business climate in this decade as we did in the past. You only get out of business what you are willing to put into it. We put more into it than other areas, and make it just that much easier for manufacturers to establish themselves here." □

Table 1 — Index of inflation for 32 key industrial product groups

Source: Industrial Distribution and Bureau of Labor statistics 1967 = 100)

☐ index ☐ multiplier

	Dec. 1967	Dec. 1968	Dec. 1969	Dec. 1970	Dec. 1971	Dec. 1972	Dec. 1973	Dec. 1974	Dec. 1975	Dec. 1976	Dec. 1977	Dec. 1978	Dec. 1979	Dec. 1980
Industrial oils	— —	— —	— —	— —	— —	— —	— —	177.6 .5428	171.5 .5241	168.0 .5134	190.9 .5834	200.3 .6122	275.1 .8408	327.2
Prepared paint	102.6 .4245	106.0 .4386	110.1 .4555	112.8 .4667	115.9 .4795	118.2 .4890	128.6 .5321	161.8 .6694	170.2 .7042	177.3 .7336	185.9 .7691	199.1 .8237	210.7 .8717	241.7
*Rubber belts & belting	103.6 .3819	109.7 .4043	119.1 .4390	129.5 .4773	135.0 .4976	138.5 .5105	144.4 .5323	165.8 .6111	176.9 .6520	196.3 .7236	207.5 .7648	217.7 .8024	238.1 .8776	271.3
Other rubber products	103.1 .4361	105.4 .4459	110.9 .4691	116.2 .4915	118.3 .5004	119.7 .5063	124.8 .5279	148.6 .6286	155.7 .6586	169.9 .7187	176.5 .7466	189.9 .8033	216.2 .9146	236.4
Plastic products for construction	— —	— —	100.0 .6506	95.2 .6194	93.8 .6103	93.3 .6070	94.8 .6168	132.3 .8608	121.0 .7872	129.4 .8419	134.7 .8764	137.3 .8933	148.3 .9649	153.7
Finished steel products	100.8 .3237	103.0 .3308	110.0 .3532	123.8 .3976	128.0 .4110	130.2 .4181	135.4 .4348	192.0 .6166	201.6 .6474	219.7 .7055	236.6 .7598	261.1 .8385	288.5 .9265	311.4
Wire & cable	100.6 .4701	96.8 .4523	118.3 .5528	120.7 .5640	116.1 .5425	116.2 .5430	133.3 .6229	173.4 .8103	146.7 .6855	150.7 .7042	151.0 .7056	161.9 .7565	203.0 .9486	214.0
Copper wire & cable	— —	— —	100.0 .4817	119.1 .5737	114.7 .5525	114.8 .5530	134.6 .6484	172.9 .8329	142.3 .6855	145.7 .7018	145.5 .7009	155.2 .7476	197.1 .9494	207.6
Aluminum wire & cable	— —	— —	100.0 .4274	107.0 .4573	110.1 .4705	110.7 .4731	104.3 .4457	153.1 .6543	161.0 .6880	168.4 .7197	174.9 .7474	186.6 .7974	219.6 .9385	234.0
Builders hardware	101.2 .4170	103.1 .4248	107.8 .4442	126.2 .5200	117.7 .4850	121.5 .5006	127.5 .5253	156.3 .6440	159.1 .6555	169.2 .6972	178.9 .7371	195.7 .8063	215.6 .8883	242.7
*Hand tools	102.2 .3502	107.0 .3667	113.9 .3903	119.8 .4106	125.3 .4294	130.1 .4459	137.0 .4695	170.3 .5836	185.7 .6364	196.5 .6734	210.2 .7204	231.4 .7930	256.7 .8797	291.8
*Misc. metal products	100.4 .3885	103.9 .4021	109.3 .4230	127.7 .4942	120.9 .4679	124.8 .4830	134.7 .5213	176.7 .6838	182.8 .7074	191.1 .7396	202.6 .7841	221.1 .8557	239.9 .9284	258.4
Industrial safety eq.	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	103.0 .8736	111.4 .9449	117.9 —
*Bolts, nuts, etc. (fasteners)	101.1 .4028	109.4 .4359	117.9 .4697	125.1 .4984	126.2 .5028	132.2 .5267	142.8 .5689	198.8 .7920	200.2 .7976	200.5 .7988	205.6 .8191	220.3 .8777	240.1 .9566	251.0
*Power driven hand tools	101.4 .5095	104.6 .5256	112.6 .5658	118.9 .5975	117.3 .5894	117.5 .5904	117.5 .5904	138.0 .6935	139.8 .7025	145.7 .7322	154.8 .7779	166.3 .8357	180.3 .9060	199.0
Welding machines & eq.	100.8 .4047	102.4 .4111	108.6 .4360	119.1 .4781	116.8 .4689	121.8 .4890	128.7 .5167	182.5 .7326	186.6 .7491	189.8 .7619	201.7 .8097	214.6 .8615	231.5 .9293	249.1
*Cutting tools & accessories	101.8 .4231	105.3 .4377	110.9 .4609	114.9 .4776	120.6 .5012	124.1 .5158	127.6 .5303	156.5 .6505	170.0 .7066	185.4 .7706	198.3 .8242	217.2 .8840	233.6 .9710	240.6
Precision measuring tools	100.8 .4704	103.2 .4816	105.0 .4900	135.8 6337	109.1 .5091	110.2 .5142	114.0 .5320	129.2 .6029	140.7 .6566	144.4 .6738	155.8 .7270	172.9 .8068	190.9 .8908	214.3
*Abrasive products	101.8 .3893	105.3 .4027	110.9 .4241	114.9 .4394	120.6 .4612	124.1 .4746	127.6 .4880	156.5 .5985	170.0 .6501	185.4 .7090	198.3 .7583	212.7 .8134	233.6 .8993	261.5
Metal cutting machine tools	— —	— —	— —	— —	100.0 .3025	121.5 .3675	133.9 .4050	167.2 .5057	184.4 .5578	197.6 .5977	217.0 .6564	247.6 .7489	288.2 .8717	330.6
Metal forming machine tools	— —	— —	— —	— —	100.0 .2753	126.7 .3488	138.1 .3802	180.3 .4964	202.8 .5584	217.6 .5991	242.6 .6680	282.3 .7773	318.1 .8758	363.2
Pumps, compressors & eq.	102.9 .3377	105.4 .3459	112.4 .3689	150.5 .4939	122.2 .4011	124.8 .4096	131.7 .4322	179.5 .5891	191.1 .6272	203.5 .6679	218.3 .7164	236.1 .7749	259.1 .8503	304.7
Fluid power eq.	— —	— —	— —	100.0 .4733	102.7 .4860	105.0 .4969	107.8 .5102	129.6 .6133	139.6 .6607	147.4 .6976	157.3 .7444	168.1 .7956	184.5 .8732	211.3
*Industrial materials handling eq.	101.4 .3875	106.2 .4058	111.5 .4261	117.0 .4471	121.2 .4631	123.7 .4727	129.8 .4960	159.4 .6091	176.1 .6729	189.0 .7222	201.7 .7707	220.5 .8426	240.6 .9194	261.7

[continued on page 102]

(Table 1 continued)

☐ index ☐ multiplier

	Dec. 1967	Dec. 1968	Dec. 1969	Dec. 1970	Dec. 1971	Dec. 1972	Dec. 1973	Dec. 1974	Dec. 1975	Dec. 1976	Dec. 1977	Dec. 1978	Dec. 1979	Dec. 1980
*Mechanical power transmission eq.	101.0 .3615	104.3 .3733	110.4 .3951	119.0 .4259	121.0 .4331	126.9 .4542	133.0 .4760	166.6 .5963	177.8 .6364	189.7 .6790	204.1 .7305	221.8 .7938	245.8 .8797	279.4
*Valves & fittings	101.0 .3406	103.0 .3474	108.7 .3666	114.9 .3875	120.4 .4061	121.4 .4094	132.6 .4472	188.5 .6358	202.4 .6826	208.5 .7032	220.0 .7420	241.8 .8155	268.4 .9052	296.5
Ball & roller bearings	100.1 .3588	102.4 .3670	107.0 .3835	95.4 .3419	115.3 .4133	132.9 .4763	123.4 .4423	159.9 .5731	168.4 .6036	183.1 .6563	196.2 7032	213.2 .7642	237.7 .8520	279.0
Plain bearings	100.1 .3687	105.6 .3890	118.8 .4376	169.3 .6236	124.3 .4578	130.8 .4818	164.2 .6048	182.0 .6703	187.6 .6910	180.4 .6645	196.9 .7252	230.3 .8483	248.9 .9168	271.5
Wiring devices	100.7 .3631	106.1 .3826	112.2 .4046	135.7 .4894	122.6 4421	124.7 .4497	131.9 .4757	177.5 .6401	187.5 .6762	194.5 .7014	205.9 .7425	227.6 .8208	257.0 .9268	277.3
Electrical instruments	105.1 .4986	1075 .5100	114.4 .5427	121.1 .5745	126.0 .5977	128.4 .6091	130.0 .6167	151.1 .7168	162.8 .7723	169.2 .8027	178.3 .8458	186.7 .8857	191.5 .9084	210.8
Electric motors	101.9 .3988	103.5 .4051	110.8 .4337	99.5 .3894	115.9 .4536	120.3 .4708	128.4 .5025	162.6 .6364	172.3 .6744	184.9 .7237	198.0 .7750	218.7 .8560	236.8 .9268	255.5
Generator & generator sets	101.2 .3252	105.1 .3377	113.1 .3634	120.2 .3862	126.3 .4058	129.0 .4145	133.0 .4274	164.9 .5299	192.1 .6173	208.1 .6687	223.7 .7188	232.9 .7484	252.6 .8117	311.2
NIDA/SIDA composite	101.4 .3887	106.4 .4078	112.6 .4316	117.6 .4507	120.3 .4611	124.0 .4753	129.4 .4960	162.9 .6244	172.9 .6627	183.7 .7041	196.8 .7543	213.8 .8195	235.0 .9007	260.9

These items are used for the NIDA/SIDA composite index

Table 2 — ID quarterly inflation index for industrial distributors

Product category	Current qtr to 9/81	Dec. 1980	% of inflation 9/81 vs. 12/80	Inflation annualized 1981	4th qtr 1980	4th qtr 1979	Annual inflation 1982
Industrial oil	359.0	327.2	9.7	12.9	327.2	275.1	18.9%
Prepared paint	251.0	241.7	3.8	5.1	241.7	210.7	14.7%
*Rubber belts & belting	297.7	271.3	9.7	12.9	271.3	238.1	13.9%
Other misc.rubber products	259.4	236.4	9.7	12.9	236.4	216.2	9.3%
Plastic construction products	156.6	153.7	1.9	2.5	153.7	148.3	3.6%
Finished steel products	343.7	311.4	10.4	13.9	311.4	288.5	7.9%
Wire & cable	208.9	214.0	−.2	−.3	214.0	203.0	5.4%
Copper wire & cable	201.4	201.6	−.3	−.4	207.6	197.1	5.3%
Aluminum wire & cable	240.7	234.0	2.9	3.9	234.0	219.6	6.6%
Builders hardware	260.1	242.7	7.2	9.6	242.7	215.6	12.6%
Hand tools	319.8	291.8	9.6	12.8	291.8	256.7	13.7%
Misc. metal products	274.5	258.4	6.2	8.3	258.4	239.9	7.7%
Industrial safety eq.	124.4	117.9	5.5	7.3	117.9	111.4	5.8%
*Bolts, nuts, screws & rivets (fasteners)	267.2	251.0	6.5	8.7	251.0	240.1	4.5%
*Power-driven hand tools	213.4	199.0	7.2	9.6	199.0	180.3	10.4%
Welding machines & eq.	265.7	249.1	6.7	8.9	249.1	231.5	7.6%
*Cutting tools & accessories	261.1	240.6	8.5	11.3	240.6	233.6	3.0%
Precision measuring tools	225.1	214.3	5.0	6.7	214.3	190.9	12.3%
*Abrasive products	278.6	261.5	6.5	8.7	261.5	233.6	11.9%
Metal cutting machine tools	348.3	330.6	5.4	7.2	330.6	288.2	14.7%
Metal forming machine tools	387.4	363.2	6.7	8.9	363.2	318.1	14.2%
Pumps, compressors & eq.	330.1	304.7	8.3	11.1	304.7	259.1	17.6%
Fluid power eq.	225.7	211.3	6.8	9.1	211.3	184.5	14.5%
*Industrial material handling eq.	282.4	261.7	7.9	10.5	261.7	240.6	8.8%
*Mechanical power transmission eq.	300.7	279.4	7.6	10.1	279.4	245.8	13.7%
*Valves & fittings	314.4	296.5	6.0	8.0	296.5	268.4	10.5%
Ball & roller bearings	318.0	279.0	14.0	18.7	279.0	237.7	17.4%
Plain bearings	277.5	271.5	2.2	2.9	271.5	248.9	9.1%
Wiring devices	310.7	277.3	12.0	16.0	277.3	257.0	7.9%
Electrical instruments	242.8	210.8	15.2	20.3	210.8	191.5	10.1%
Electric motors	283.1	255.5	10.8	14.4	255.5	236.8	7.9%
Generators & generator sets	336.2	311.2	8.0	10.7	311.2	252.6	23.2%
NIDA/SIDA composite	280.8	260.9	7.6	10.1	260.9	235.0	11.0%

*Included in NIDA/SIDA composite

Industrial Distribution

February 1982

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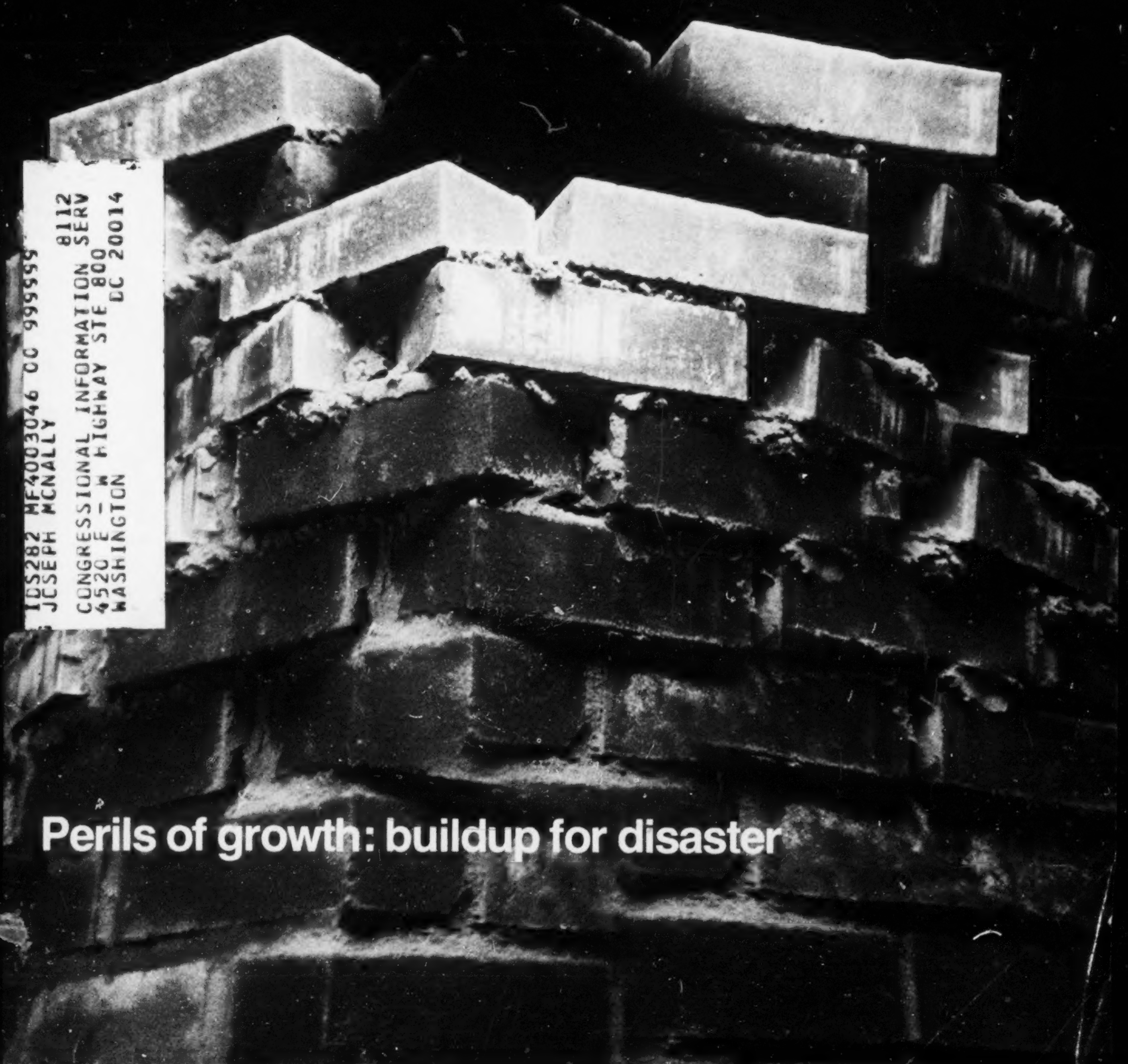
Hotline:
Traditional sales role imperiled by recession



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Perils of growth: buildup for disaster

Industrial Distribution

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Study says veteran sales reps make $30,000+ on average

CHICAGO—The Dartnell Institute of Financial Research has found that an average experienced sales representative earned $30,444 in 1981, a 12.8% increase from two years before. Semi-experienced sales reps made an average $23,807, an 11.2% increase from 1979 levels, and the average trainee pulled down $18,131 last year, up a hefty 20.6% in the same period.

The figures were part of Dartnell's *Survey of Sales Force Compensation*, which is made every two years; this was the 21st such report. More than 330 companies with an aggregate 16,000 sales reps took part in the study, which covers the U.S. and Canada.

Other findings of the survey indicate that sales call costs continue to rise: The average cost now stands at almost $107, up 23% from 1979. The average cost of training a sales rep was put at $12,633. It was also found that women now constitute 7.3% of the industrial sales force.

The table at right shows the average salary of an experienced rep over the past decade.

1981	$30,444
1979	$27,000
1977	$24,500
1975	$20,440
1973	$18,283
1971	$14,596

Source: Dartnell Institute of Business Research

Construction equipment sales down 2% in '81; midwest suffers most

OAK BROOK, ILL.—1981 sales of construction equipment were down 2% from 1980 levels, equalling a 13% drop after inflation, according to a survey conducted by the Associated Equipment Distributors.

Hardest hit were distributors in Illinois, Michigan and Wisconsin, who finished the year with an 18.2% loss in sales from the year before. The biggest winners in the survey were Texas and Oklahoma distributors, who racked up 10% sales gains in 1981. Distributors in Colorado, Utah and New Mexico posted 5% gains, while those in the southeast equalled their 1980 performances. However, distributors in the rest of the country showed losses last year as compared with 1980. Those losses applied to most distributors of construction equipment in the U.S.

AED President Richard F. Mason says that the lost business can be blamed on high interest rates, which have been working to depress the construction market. Mason says that, in 1981, "high interest rates acted as a kink in the chain that leads from the construction buyer to the contractor, and on

[continued on page 12]

Spring/Summer 1982

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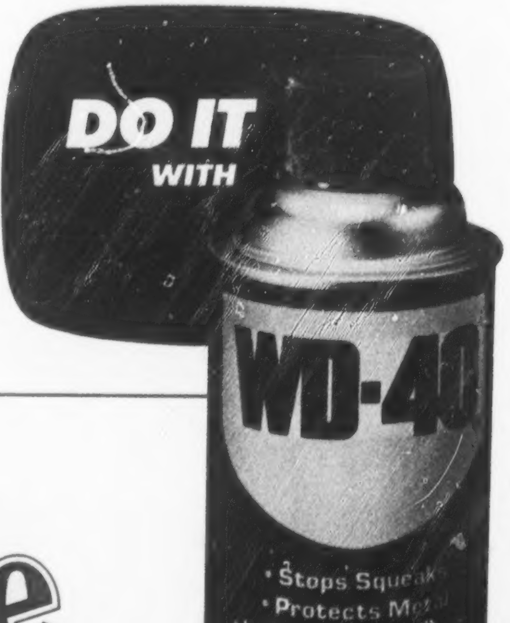

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Circle **8**

Sands of time

Retired: C. Clyde Owens, executive vice president and general manager of Charleston Supply Co. and its Southern Mill Supply Division, Charleston, S.C. Owens had been with the firm since 1939. He has been succeeded as general manager by G. Fred Rast.

Died: Gordon Frank, national sales manager of WD-40 Co., San Diego, Calif. While Frank had been based in San Diego for the past two of his eight years with WD-40, his sales management career largely centered in the Chicago area, where he worked for 23 years for such firms as WD-40, Panasonic, and Squibb. He is survived by his widow, Marie, three children and two grandchildren.

Died: Paul W. Stiegler Sr., chairman of the board and chief executive officer of the R.H. Buhrke Division of Klein Tools, Inc., Ft. Smith, Ark. He had been with Buhrke since 1952, rising in 1981 to the position he held at the time of his death. He leaves behind his wife, Dorothy, five children and 12 grandchildren. He has been succeeded as chief executive officer by his son, Paul Jr., and Robert Klein has been named as chief operations officer.☐

NIDA/SIDA survey shows pay scales among distributors

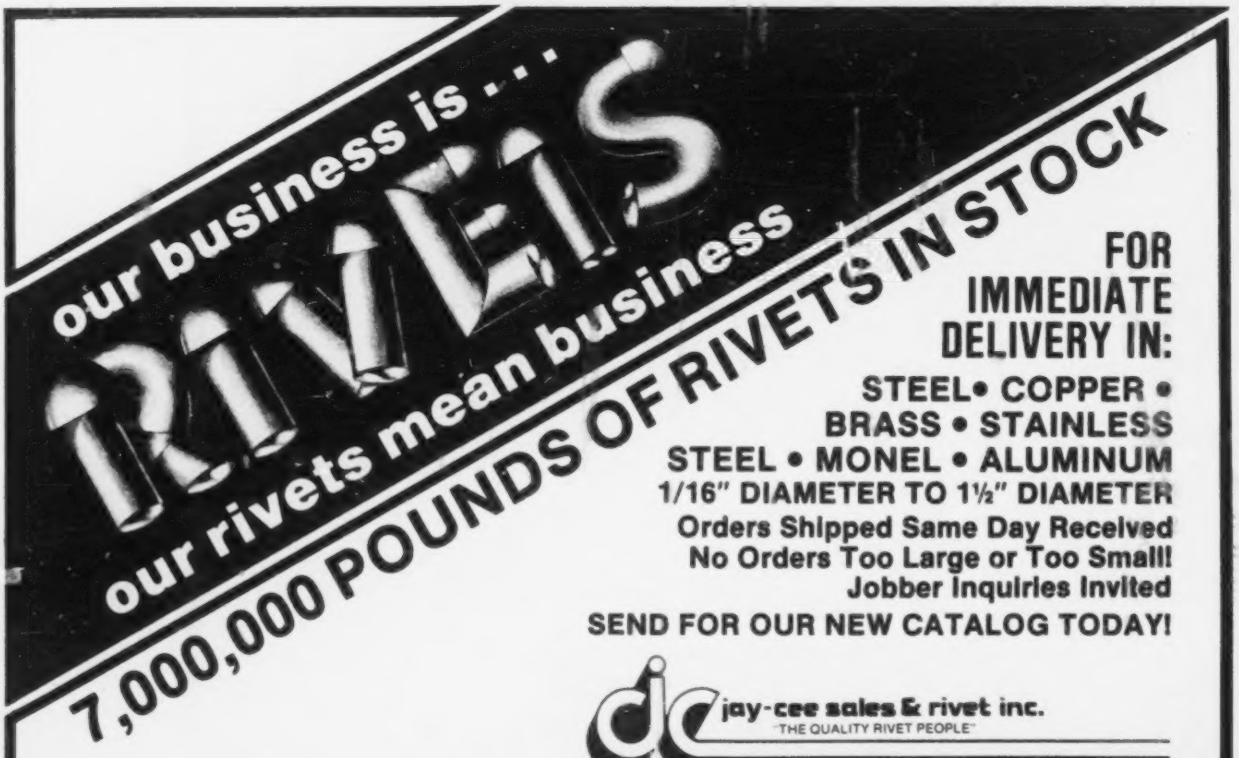
ATLANTA—The Personnel Management Committee of the National Industrial Distributors Assn. and the Southern Industrial Distributors Assn. has released the summary results of its *Survey of 1980 Compensation and Compensation Practices for Inside and Outside Sales Personnel.*

NIDA/SIDA member firms were invited last July to participate in the survey. The goal of the effort, according to the committee, is to provide members with usable information about current pay practices among industrial distributors so that a distributor can see if his own pay scales are competitive.

Four types of sales positions were defined for the survey. Outside sales personnel

Percentile	Outside sales	Category A	Category B	Category C
10th	$15,434	$10,974	$10,989	$ 9,999
20th	18,323	12,258	12,603	11,521
30th	20,300	13,342	13,719	12,472
40th	22,000	14,520	14,703	13,644
50th (Median)	24,050	15,300	15,586	14,700
60th	26,627	16,954	16,823	15,266
70th	30,000	17,935	18,299	16,655
80th	33,615	18,813	20,299	17,640
90th	43,322	22,338	22,571	18,512
Lowest	$ 7,161	$ 9,336	$ 6,980	$ 7,180
Average	27,412	16,226	16,513	14,556
Highest	102,589	39,370	54,845	30,772

Source: NIDA/SIDA Personnel Management Committee



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Circle 13

Union Camp Corp. sells Moore-Handley units

WAYNE, N.J.—Union Camp Corp. is selling the wholesale hardware, industrial supply and machine tool divisions of its wholly owned subsidiary, Moore-Handley, Inc., to a private investor group led by William Riley and Pierce E. Marks Jr. The purchase is to be completed this month. The new owners will keep the Moore-Handley name; the firm will continue to operate out of Pelham, Ala.

The purchase agreement does not affect Moore-Handley's Homecrafters centers, which sell building materials to contractors and others in the southeast. These will remain with Union Camp. □

Seminars

■ **The Society of Manufacturing Engineers** and the Computer and Automated Systems Assn. of SME will present "An Introduction to Numerical Control" Feb. 17-18 at the Hyatt Regency Hotel in Dearborn, Mich. Registration fees are $310 for SME, CASA/SME and affiliate members, and $360 for non-members. Contact Dave Johnson at (313) 271-1500.

■ **The Specialty Tools & Fasteners** Distributors Assn. presents "The Totally Effective Salesman" in a series of one-day seminars held in various cities throughout the U.S. from now through Apr. 2. Tuition is $70. Contact STAFDA at (414) 784-4774.

■ A three-day workshop on "Inside Sales—The Competitive Edge" will be held by the **National Industrial Distributors Assn. and the Southern Industrial Distributors Assn.** in Dallas, Mar. 1-3; Atlanta, Apr. 26-28; Philadelphia, May 17-19; and Chicago, Sept. 20-22. The workshop fee is $295 per member ($250 for each additional attendee after the first) and $425 for non-members, with no discount. Contact the NIDA/SIDA Sales & Marketing Committee at (404) 325-2776.

■ **The NIDA/SIDA Sales & Marketing Committee** has also scheduled twinned seminars on "Developing a Professional Sales Force" and "Making Every Sales Call Count." These will be held in several cities from February through April. For more information, call the committee at (404) 325-2776.

Pay scales survey . . .

[continued from page 14]

were defined as travelling salesmen, including specialists, with certain customer responsibilities. Inside sales forces were broken down into three groups: Category A, persons who spend at least 25% of their time *making* telephone calls to customers and prospects; Category B, who *receive* phone calls and write orders; and Category C, who are primarily involved with over-the-counter sales. The survey was conducted by the firm of Towers, Perrin, Forster & Crosby.

The chart above gives a summary of 1980 earnings as reported by all firms answering the survey, without regard to the size of the firm or the number of people it employs.

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Circle **16**

Porter-Cable comes back after 22 years with new management

ST. PAUL—An old name in portable electric power tools is making a comeback. Pentair, Inc., which recently bought up Rockwell International's line in that area, has announced that its newly created, wholly owned subsidiary, Porter-Cable Corp., will produce and market the tools.

The original Porter-Cable was founded in 1906 and was bought by Rockwell in 1960, at which time that name was dropped and the Rockwell name adopted. Now the new owners, Pentair, are shaking the dust off the old corporate sign and hoping that the Porter-Cable name will lend itself to a smooth transition between the ownerships.

Porter-Cable has drawn its top management from the ranks of the Rockwell electric tool line. Thomas J. Ryan, formerly vice president of marketing at Rockwell Power Tool Division, has been named

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Indicators . . .

Purchases of industrial supplies dropped again in November, according to the *NIDA-SIDA Industrial Distribution Index*. The *Index* fell 5.3% to 140.0 from its October level of 147.9, although the November number is still 11.5% above the year-ago mark. The south countered the national trend by posting a modest 1.2% gain for the month, but all other regions were down: the east, 5.6%; the midwest, 8.7%; and the west, 3.8%. The *Index* put inflation at 0.6% for the month and 10.2% for the November-November period . . . The *SIDA Monthly Sales Trend Report* showed a drop of 13.5% in November sales from the pace set in October, although the figure was 2.1% higher than that of the year before . . . The National Welding Supply Assn.'s *Welding Supply Index* showed a 3.9% drop in November from October, although sales were still 12.8% above the year-ago mark. Year-to-date sales were 9.9% better than in 1980 . . . The *ASMMA New Order Index* for November was down for the fourth consecutive month in November, to 111.7, a decline of 0.8% from October . . . The Federal Reserve Board's *Index of Production Manufactures for Durable Goods* was down 4.1 points in November from October, a decline of 3.2% . . . The Commerce Dept.'s index of 12 leading indicators fell 1.8% in October to 128.1, down 2.3 points from the September mark of 130.4 . . . *The Wholesale Hardware Sales Index* of the National Wholesale Hardware Assn. showed a November figure of 212.9, down 3.4 points (1.6%) from October but up 7.0% over the year-ago mark. All regions were reported down in November: the east, 2.5%; the midwest, 0.4%; the south, 0.1%; and the west, 4.8%. The four regions also followed the national index in posting gains over November 1980 figures . . . The National Machine Tool Builders Assn. said that shipments of new machine tools were slightly higher than October levels, but new orders were off by 10%, dropping the year-to-date figures 37% below those for 1980. There was, however, a 1% increase in orders for metal-forming equipment, although for the first 11 months of 1981, metal-forming orders were down 12% from 1980. Metal-cutting tool orders were down 13% in November and off 42% from the year before.□

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Circle 17

November sales stabilize

While the recession rages, sales for industrial distributors have leveled off, at least temporarily. According to *Regional Report* correspondents, November sales are still above previous-year totals, but substantially below those of the preceding month.

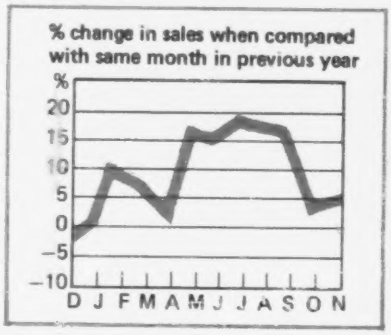
A look around the country presents an uneven story. The Pacific runs 11% below 1980 levels. South Carolina, Virginia and West Virginia are off 15%, and battered Michigan remains down 8%. However, New England distributors are prospering with a 13% upturn. West North Central is up 15%, and Upstate New York, Pennsylvania and Wisconsin all sport 11% monthly climbs when compared with 1980 figures.

The biggest year-to-date gains were made in the oil-producing regions of West South Central, 25%, and Illinois, 16%. Georgia, Florida and the East South Central each witnessed surges of 11%.

When adjusted for inflation, though, most gains are negated and check in at levels lower than those of a year ago. Even so, a ray of sunshine shows. The Dept. of Commerce says the index of leading economic indicators dipped 0.3% in November. This represents a decline in the rate of economic downturn. September and October were 2.1% and 1.6%, respectively.

RECEIVABLES*	Nov. 1981		Nov. 1980	
	Gen.	**Spec.**	**Gen.**	**Spec.**
New England	45.0	42.4	43.1	41.2
Middle Atlantic	45.4	49.8	45.7	45.3
South Atlantic	36.0	36.1	35.1	37.6
East North Central	41.2	44.9	41.2	41.5
East South Central	38.8	42.6	38.7	41.1
West North Central	39.9	39.7	39.0	38.7
West South Central	46.0	43.9	49.0	40.5
Mountain	42.2	42.8	48.9	41.0
Pacific	41.1	41.4	41.0	42.9
National	41.7	42.6	42.4	41.1

*Average days outstanding



After a steep decline in October, distributor sales bottomed out . . .

SALES BY REGIONS (% change)	Nov. '81 vs. Oct. '81			Nov. '81 vs. Nov '80			11 mos. '81 vs. 11 mos. '80		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−9	+21	0	+4	+14	+13	+10	+6	+10
Connecticut	−0	−2	−1	+7	+13	+10	+2	+4	+6
Massachusetts	−10	+71	+6	−0	+12	+9	+1	+6	+2
MIDDLE ATLANTIC: NY, NJ, PA	−14	−9	−11	+6	+5	+5	−15	+2	−5
New York Metropolitan Area	−31	−4	−11	−9	0	−2	+11	−2	+1
Upstate New York	−16	−4	−11	+5	+18	+11	+4	+2	+3
Pennsylvania	−2	−18	−10	+15	+7	+11	+3	+10	+7
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	−12	−16	−14	−6	+9	0	+4	+13	+7
SC, VA, WV	−8	−1	−7	−0	−15	−7	−1	+6	0
Georgia-Florida	−17	−18	−17	−16	+13	+4	+10	+12	+11
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−17	−18	−17	+6	+5	+6	+8	+7	+8
Indiana	−13	+12	−1	+16	−1	+8	+18	+13	+16
Wisconsin	−16	−20	−17	+10	+13	+11	+2	+10	+5
Chicago	—	−6	—	—	+1	—	—	−4	—
Michigan	−26	−38	−29	−11	+1	−8	+10	+7	+9
Ohio	−11	+3	−2	+17	0	+6	+8	+9	+9
EAST SOUTH CENTRAL: AL, MS, KY, TN	−19	−20	−19	+19	−6	+11	+10	+15	+11
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−9	−3	−6	+23	+7	+15	+10	0	+5
WEST SOUTH CENTRAL: AK, LA, OK, TX	−0	−17	−6	+19	+18	+19	+23	+28	+25
Texas	+31	−17	−1	+34	+18	+23	+28	+28	+26
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−1	−29	−7	+9	−17	+4	+4	−11	+1
PACIFIC: CA, OR, WA	−23	−9	−18	−12	−10	−11	0	+7	+3
L.A.-San Diego	−7	−13	−9	+8	+6	+8	+6	+10	+7
Oregon-Washington	−26	−9	−20	−16	−19	−17	−1	+5	+1
U.S. TOTALS	−13	−11	−12	+4	+6	+5	+4	+6	+5

signs and capabilities change so often that no appreciable used-computer market can develop. "There may be an exception with IBM 34's and 32's," he says, "but there's only a little used trade in that area."

However, Krichiver adds, there are a few reasons to buy used computer hardware, although those reasons are limited in scope and not likely to be of much help to the run-of-the-mill small-computer owner looking for a ready used-computer market. "Some people look for used hardware so they can keep on using the software they've already got," notes Krichiver. "Software costs are now so significant that owners try to salvage as much of it as they can. Others look for odd peripherals or a spare central processing unit for much the same reasons." To service that limited market, Krichiver says, some dealers will buy a used system "for practically nothing" and put it in a warehouse, in hopes that just such a customer will come along.

The bright side? "After five years, computer hardware is generally fully depreciated," says Krichiver. ☐

Watch upcoming issues of **ID** *for Computer Update '82, a new bi-monthly column covering the latest trends and developments in EDP hardware, software, systems and services. The next column: April* **ID**. ☐

Free newsletter a potpourri of EDP data

HOPEWELL, N.J.—*Prophecies*, a takeoff on the name Programmed Control Sales, Inc., is the title on the masthead of a new, four-page monthly newsletter containing both proprietary and helpful general information on EDP designed specifically around the needs of the industrial distributor. Programmed Control claims some 125 distributor-oriented turnkey system, installations in the U.S. and Canada to date. For a free subscription to *Prophecies*. . .

Circle No. 472

Survey shows which small computers are used most often in specific applications

DELRAN, N.J.—Datapro Research Corp. has published a report, *User Ratings of Computer Systems*, which details how many of 4448 surveyed mainframe, small-computer and microcomputer owners and lessors are using their systems for particular applications, such as order processing and inventory control. The Datapro survey also asked respondents about the advantages and disadvantages of their computer systems, whether the systems were performing as expected, if the respondents would recommend their system to other users, and other questions.

The survey drew responses from 2192 small-computer users, covering 98 models from 28 manufacturers. Of these 98 models, 23 were singled out by more than half of their users as being used for order processing and inventory control, perhaps the most important applications available to industrial distributors.

These 23 models, from 13 manufacturers, represent about half of all units used by the respondents, who were selected from the subscriber lists of *Computerworld* magazine.

Some of the data gathered by Datapro on these models has been excerpted and adapted for the table below. Where a particular model is also used by more than half of the respondents for applications other than order processing and inventory control, that statistic is given in boldface type as well. ☐

		Number of users using system for:			
Manufacturer/Model	**No. of users (total)**	**Accounting and Billing**	**Order Processing and Inventory Control**	**Payroll and Personnel**	**Sales-Distribution**
Basic Four 400/410	4	**4**	**4**	2	**4**
Basic Four 600/610	20	**18**	**15**	**17**	**13**
Data General CS 40, 50	5	**4**	**4**	**3**	2
Data General CS 60	10	**9**	**7**	4	3
Data General Eclipse C	41	**29**	**23**	17	16
Datapoint 1800	7	**6**	**4**	3	**4**
Datapoint 6600	20	**16**	**12**	8	8
Four-Phase IV 90	14	**10**	**8**	6	5
Harris 100/200	9	**7**	**5**	1	0
Hewlett-Packard 250	7	**5**	**4**	**4**	**4**
Hewlett-Packard 3000	36	**28**	**20**	17	12
IBM System/3	250	**219**	**151**	**187**	**129**
IBM System/34	456	**401**	**277**	**297**	192
IBM System/38	26	**23**	**16**	**16**	9
IBM 8100	17	7	**9**	8	5
Minicomputer Systems MICOS	5	**5**	**3**	2	1
Microdata Reality	47	**44**	**27**	**29**	21
NCR 8200	45	**36**	**23**	**30**	15
Qantel 200/300	5	**5**	**5**	**5**	**5**
Qantel 1400	11	**11**	**7**	**9**	**9**
Univac 9000 series	11	**9**	**6**	**8**	**6**
Wang VS	44	**33**	**26**	**24**	17
Wang 2200 Misc.	10	**9**	**6**	5	2

Source: *User Ratings of Computer Systems*, Datapro Research Corp., 1805 Underwood Blvd., Delran, N.J. 08075. Copyright © 1981 Datapro Research Corp.

Boldface indicates more than half of respondents use system for that application.

Industrial Distribution

March 1982

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Business climate study says south and west still the best

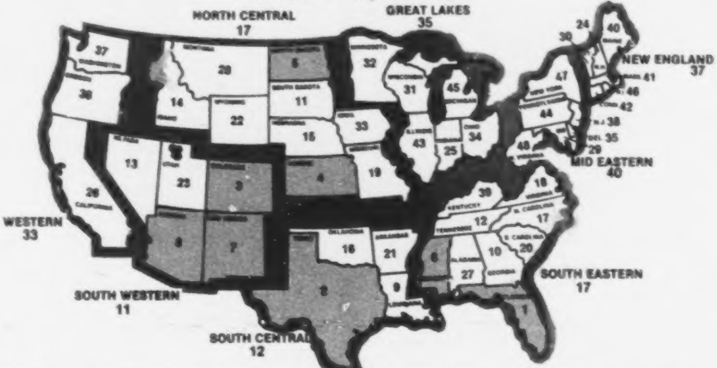
CHICAGO—The best places in the contiguous 48 states to run general manufacturing businesses are Florida, Texas and Colorado, while the worst are Rhode Island, New York and West Virginia. In fact, eight of the ten-worst areas are located in the northeast and midwest.

These findings were made as the result of a study of 1981 business conditions in all states except Alaska and Hawaii by Alexander Grant & CO., a consulting firm. The Grant study was performed in cooperation with the Conference of State Manufacturers' Assns., and is an update of studies done in the previous two years. However, the 1981 report weighs more factors in its findings and uses different methods to arrive at its conclusions, leading to a "new and more comprehensive base for ranking the attractiveness of each state for general manufacturing operations," according to study head Selwin Prive, a Grant managing partner.

The study asked business organizations and users of the 1979 and 1980 studies to consider their states' policies and practices in 22 different business-related areas, including state and local government fiscal policies, state-regulated employment costs, labor costs, labor force availability, labor productivity, etc.

The Grant study measures only quantifiable data that do not require subjective interpretation, can be obtained from credible, publicly available sources, are available from all 48 states surveyed, and are pertinent to business. It does not measure such factors as quality-of-life, which is not quantifiable. Grant suggests that the results be used only as a first step when contemplating an expansion or relocation into another state. □

1981 Business Climate Survey
State ranks and regional averages



THE NUMBER WITHIN A STATE is its overall rank among the 48 contiguous states, based on an averaging of Grant's 22 factors regarding general manufacturing business operations. The number below the name of each region is that region's average score—that is, the average rank of the states within the region. The states found by Grant to be in the top ten for study purposes are shaded in color.

Source: Alexander Grant & Co.

Coated abrasives

[continued from page 9]

its first annual convention in Las Vegas last April in order to formulate the association's goals: the promotion of the coated abrasives fabricator as an industry component important to distributors, customers and manufacturers, and the building of strong relations with suppliers. Coated abrasives companies buy in bulk from proven manufacturers and then tailor the product for specific applications. CAFA member firms have sales volumes ranging from $500,000 to $12 million per year, in an industry where the total market is estimated to be in the range of $50 million.

According to CAFA, once the association begins moving under a full head of steam, distributors handling coated abrasives "will have somewhere to go for the rush jobs, the small-volume special items, and the short-run abrasive products required by individual customers." □

Gasoline price hikes show there's nowhere to go but straight up

NORTHBROOK, ILL.—Runzheimer & Co., a survey and research firm, has compiled a list of gasoline prices in the U.S. from 1936 to 1981 in 14 major cities. Among other things, the list points out that the average price of a gallon of regular leaded has jumped 600% in the past 45 years, and 245% since the oil embargo of '73-'74. The distributor trying to keep the tanks on his vans full may take some slight comfort from the even higher prices in European countries, where super is going for the equivalent of $2.46 per gallon in Austria, $2.54 in Belgium, $2.90 in Denmark, $2.67 in the U.K., $2.75 in France, a relatively cheap $1.99 in Luxembourg, $2.46 in West Germany, $2.47 in Holland and a staggering $3.07 in Italy. Average top price range for super in the U.S. runs $1.40 to $1.60 per gallon.

Runzheimer blames the huge price increases for gasoline in recent years on the energy crisis and the resultant status of gasoline as a "diminishing commodity for which there is an ever-increasing demand."

1981 was a good year for welding suppliers, according to NWSA

PHILADELPHIA—Purchases of welding equipment from industrial distributors rose sharply in 1981, according to the National Welding Supply Assn. This movement boosted the figures for all purchases of welding suplics to a respectable 9.4% gain over 1980. Says John C. Beringer, NWSA vice president, "Industrial welding supply distributors survived the interest rate problem and experienced an excellent 1981."

The overall 9.4% sales gain was led by a whopping 22.3% increase in purchases of welding equipment over those of 1980. D.R. Moore, the association's first vice president, attributes the healthy equipment sales figures to "the commercial building industry, which is still going strong despite the current recession. Also, the agricultural industry is remaining fairly stable."

NWSA President Paul Smith notes that while production welding has declined during the recession, "maintenance welding has held up well, as it always does during a recession."

Despite the overall year-end gain, NWSA reports in its *Welding Supply Index*

[continued on page 16]

[continued from page 21]

keep track of movement in five important economic areas: new orders, production, employment, vendor performance, and inventories.

The Government thinks that the new index, which is based on reports made by purchasing managers to NAPM, has "some of the characteristics" of a leading indicator, with the added advantage that NAPM data are available before most other conventional figures are published. This should allow the Government to keep closer tabs on the recession and the expected recovery.

The new index, like other diffusion indices, will measure change by indicating the percentage of firms reporting conditions more favorable for that month than in the previous month. Each area surveyed in the new index is weighted mathematically, in accord with each area's importance to the economy.

The *Index* has been computed back to January 1948, and figures show that the highest *Index* ever recorded was in July 1950, with 77.5% of purchasing managers reporting that they were doing better in July than in June). The lowest *Index* figures were reached in January 1975 and June 1980, with only 30.7% reporting any improvement. In 1981, the *Index* hovered around 46.3%. □

Indicators

The *NIDA-SIDA Industrial Distribution Index* for December fell 7.5 points (5.4%), to 132.5, remaining only 4.4 points (3.4%) above the year-before figure. Regional figures were down everywhere except in the south, which posted a meager 0.2-point (0.1%) gain for the month, rising to 156.4. Other regions: the east, 136.0, down 6.1 points (4.3%); the midwest, 113.4 off 8.8 (7.2%); and the west, 159.3, down 14.6 (8.4%). Compared to year-before figures, the nation's distributors experienced a flat performance or even lost a bit in 1981. Over the course of the year, the east's index fell 1.6%; the midwest's, up 2.6%; the west's, up 0.7%; and the south's, up 12.%. The *NIDA-SIDA Industrial Supply Inflation Index* rose 9.5% in 1981, which throws every region except the south into the loss category for last year and reduces the south's true gain to 2.5% ... The *SIDA Monthly Sales Trend Report* for December shows sales up 10.2% for the month and running 8.8% over year-before levels ... November's *ASMMA New Order Index* fell to 111.7, 0.9 points (0.8%) under the October mark. In December, the *Index* fell again, this time by 1.2 points (1.1%), to 110.5 ... The Federal Reserve Board's *Index of Production Manufactures for Durable Goods* was down 3.0 points, to 131.0, in December, a drop of 2.2% ... The Department of Commerce's 12 leading indicators were off slightly, by 0.3 points, in November. This loss of 0.2% put the indicators at 127.8 ... The National Welding Supply Assn.'s *Welding Supply Index* gained 9.4% in 1981 over the year before, with purchases of 22.3% over the year. However, the December *Index* fell to 143.7 from the month before, a drop of 10.8 points (7.0%) ... The National Wholesale Hardware Assn.'s *Wholesale Hardware Sales Index* was up 9.4 points (4.4%) in December and 5.4 points (2.5%) for the year. The east was up 14.7 points (5.4%) for December and up 10.8 (3.9%) for the year; the midwest posted gains of 2.2% for the month and 3.1% for 1981; the south, up 4.1% in December and up 4.4% for the year; with the west gaining 7.8% in December but still losing 6.8% over the entire year ... The Conference Board's *Help-Wanted Advertising Index* reached its lowest point for 1981 in December, falling 2.0 points (1.8%).

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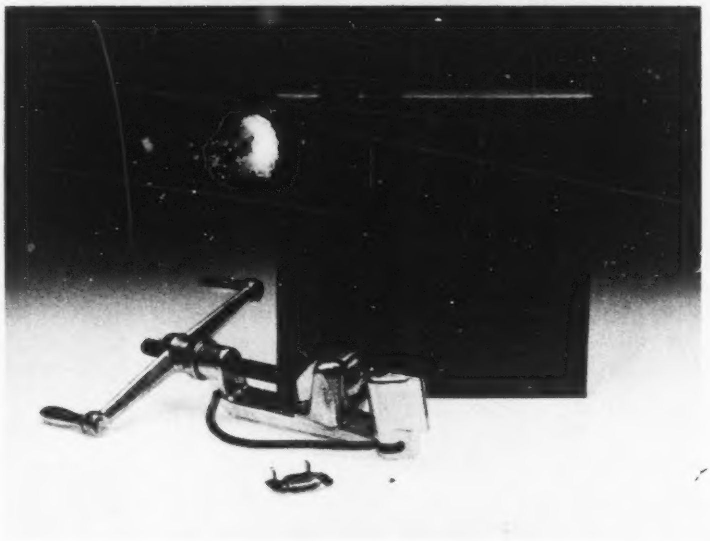

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Circle **21**

December sales stagnate

The year 1981 limped to a halt with small monthly gains and stagnant year-end sales performances for all distributors nationwide.

When compared with the previous month, December sales climbed only 1%; compared with a year ago, 5%. Annual totals marked an 8% rise.

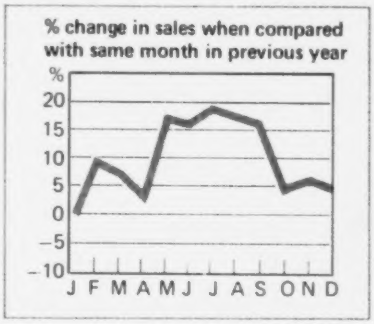
As is to be expected, totals varied greatly by region. In Michigan and the Mountain region, they plummeted, dropping 22% and 16% respectively. However, sales performance rose dramatically in Pennsylvania (16%), Texas (20%) and Massachusetts (13%).

Gains rather than losses predominated 1981, but those areas accounting for double-digit increases were few. Surprisingly, the heavily industrialized states of Pennsylvania, Indiana and Ohio were among those posting between 10% and 21% sales jumps.

But if the annual rise of 8% for all distributors seems less than inspiring for the year to come, some refuge can be taken from the Dept. of Commerce's index of leading economic indicators. It rose 0.6% in December, the first increase since July and the onslaught of recession. Commerce Secretary Malcolm Baldrige called this welcome news, and suggested that the recession may soon bottom out. □

RECEIVABLES*	Dec. 1981		Dec. 1980	
	Gen.	Spec.	Gen.	Spec.
New England	45.2	38.6	46.0	41.0
Middle Atlantic	42.5	45.8	41.7	46.3
South Atlantic	35.0	38.3	35.1	38.4
East North Central	39.3	42.2	41.1	46.8
East South Central	38.0	54.0	42.0	54.0
West North Central	34.5	39.0	35.4	50.5
West South Central	48.7	46.4	55.0	50.4
Mountain	49.2	34.3	48.7	33.2
Pacific	35.0	43.7	33.1	43.2
National	41.3	41.4	42.0	43.8

*Average days outstanding


% change in sales when compared with same month in previous year

Remaining marginally above last year's, December sales halted further slippage . . .

SALES BY REGIONS (% change)	Dec. '81 vs. Nov. '81			Dec. '81 vs. Dec. '80			12 mos. '81 vs. 12 mos. '80		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+16	− 2	+11	+ 4	− 8	+ 1	+ 2	+ 3	+ 3
Connecticut	+18	0	+ 9	+ 5	− 8	− 2	+ 3	+ 3	+ 3
Massachusetts	+17	− 8	+13	− 2	+20	+ 5	− 2	+12	+ 2
MIDDLE ATLANTIC: NY, NJ, PA	+ 8	+10	+ 9	+21	+12	+16	+ 7	+ 7	+ 7
New York Metropolitan Area	+13	+ 4	+ 6	+ 5	0	+ 1	+ 9	+ 5	+ 6
Upstate New York	− 5	+19	+ 6	+22	+34	+27	+ 3	+ 4	+ 3
Pennsylvania	+13	+18	+16	+30	+25	+27	+ 7	+12	+10
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+ 9	− 1	+ 5	+ 1	− 1	0	+ 4	+12	+ 7
SC, VA, WV	+ 5	+ 6	+ 5	+ 3	− 4	+ 2	− 1	+ 5	0
Georgia-Florida	+18	+ 2	+12	− 1	− 2	− 1	+ 8	+10	+ 9
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	− 6	+ 5	− 1	− 5	+20	+ 7	+ 4	+10	+ 7
Indiana	− 1	+18	+ 9	+ 9	+17	+13	+17	+25	+21
Wisconsin	+ 1	+ 8	+ 3	+ 6	+31	+14	+ 2	+12	+ 5
Chicago	+ 6	+ 2	+ 3	− 9	0	− 2	−15	+ 9	+ 4
Michigan	−18	−27	−22	−27	−18	−23	+ 7	+ 9	+ 8
Ohio	−11	−12	−11	− 8	+16	0	+16	+ 9	+14
EAST SOUTH CENTRAL: AL, MS, KY, TN	− 8	−12	−11	− 4	−13	−10	+15	+15	+15
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−10	+ 6	− 4	+10	+14	+12	+10	+ 4	+ 8
WEST SOUTH CENTRAL: AK, LA, OK, TX	− 9	+18	− 4	− 1	+46	+ 9	+21	+29	+23
Texas	+21	+18	+20	+42	+46	+44	+31	+29	+30
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	− 6	−32	−16	+ 3	−30	−10	+ 6	+15	+10
PACIFIC: CA, OR, WA	− 2	+ 3	0	−14	+ 7	− 4	− 1	+14	+ 6
L.A.-San Diego	−10	− 1	− 6	+ 1	+ 1	+ 1	+ 3	+ 9	+ 6
Oregon-Washington	0	+ 6	+ 3	−18	+ 8	− 7	− 3	+16	+ 5
U.S. TOTALS	+ 1	+ 2	+ 1	+ 2	+ 9	+ 5	+ 6	+10	+ 8

ID's quarterly inflation index

Here's the second of ID's continuing series of quarterly inflation indexes for 32 product lines. Seven columns of updated data make it the most complete in this industry.

About these tables. Each quarterly index to be published in ***ID*** from now on will show the inflation rate for the current year to date. Since the present index covers the fourth quarter of 1981, it gives the inflation for the entire year 1981, both for the 32 product groups and for the composite index arrived at by averaging the inflation rate of all 32. Our index includes all 10 of the commodity groups covered by the National and Southern Industrial Distributors Assn's. (NIDA/SIDA) inflation index. We also show NIDA/SIDA's weighted composite index showing total inflation from December 1980 to December 1981.

The two composite indexes are shown one below the other at the end of the price index. Although ours is unweighted, note that there is not much difference between their composite inflation rates for the year.

- **Column 1.** The 32 product groups were carefully selected to provide the most representative cross-section of distributor-sold goods. An unpublished list of 150 product groups is available from Alan Silver & Associates, 168 Woodbridge Ave., Highland Park, NJ. 08904. For any three or four product groups not listed in the table, similar inflation information is available from Silver at no charge. Include a stamped, self-addressed envelope. The list of 150 product groups shows the December price index for each year from 1967 (the base year).
- **Column 2.** Bureau of Labor Statistics (BLS) Price Index at the end of 1981
- **Column 3.** BLS Price Index at the end of 1980
- **Column 4.** Inflation (%) for 1981 (Column 2 divided by Column 3)
- **Column 5.** Inflation (%) in the fourth quarter
- **Column 6.** BLS Price Index at the end of 1980
- **Column 7.** BLS Price Index at the end of 1979
- **Column 8.** Inflation (%) for 1980 (Column 6 divided by Column 7)

Comparing inflation indexes (table). This shows the comparative inflation trends from 1979 through 1981 for the BLS-based composite Silver/ID and NIDA/SIDA industrial indexes and for a number of other highly regarded, BLS-based indexes of interest to industrial distributors.

While Column 3 shows a substantial drop of the inflation rate for the entire year of 1981 against the entire year of 1980, you can only detect the full extent of the drop in the inflation rate by studying Column 2 showing *current* annual rate of inflation based on the rate for the fourth quarter of 1981.

- **Column 1.** Lists seven BLS-based composite indexes of interest to industrial distributors.
- **Column 2.** Shows the inflation rates for the last three months of 1981 and annualizes them. For example, the Consumer Price Index rose only 0.8% (not shown) for the fourth quarter of 1981. Multiplied by four (four quarters), the annualized rate is shown equaling 3.2%.
- **Column 3.** Shows the inflation rate from December 1980 through December 1981
- **Column 4.** Shows the inflation rate from December 1979 through December 1980

Conclusions

Even if business picks up in the second half of 1982 as some economists and the Reagan Administration predict, we predict that the inflation rate of both the Silver/ID and NIDA/SIDA indexes will be in the 3%-6% range. The high levels of inventories which industrial distributors carried are going to be lowered now that the inflation rate is so much lower than the interest rate and to bring inventories down to a level commensurate with the lower sales volumes in most parts of the U.S. With the lower inflation rate, vendors are under less pressure to raise prices. Moreover, in a recession, vendors are looking for business and pressure from the marketplace tends to inhibit them from raising prices unless forced to do so. As we see it:

- Overstocking due to poor inventory management can no longer be tolerated on the theory that, oh well, it's going up 12% so what's the difference? Now more than ever is the time to improve your inventory management methods.
- The overwhelming odds are that the recession too will pass although it may well be the worst one in the postwar period. When it ends, it is likely the inflation beat will pick up to the levels of the recent past. If you are not on LIFO (no tax on inflation) at this late date, you should find out how to overcome the obstacles you feel you are facing. New developements in the law and LIFO conversion tactics make it easier than ever to go on LIFO now.□

By **Alan Silver**
Alan Silver & Assoicates, Inc.
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Comparing inflation indexes

This table shows 1980 and 1981 calendar year inflation rates compiled by a number of reliable sources. Note the general slackening of inflation from 1980 to 1981. Since the rate of inflation of industrial products has continued to slacken in recent months, ID estimates that both the ID and NIDA/SIDA indexes will show an inflation rate in 1982 of 3%-6%.

	*BLS inflation rates		
	12/81 vs. 9/81 annualized	12/81 vs. 12/80 (12 mos.)	12/80 vs. 12/79 (12 mos.)
Silver/ID index of 32 industrial product groups	−0.8%	8.9%	11.1%
NIDA/SIDA index of 10 industrial product groups	6.8%	9.4%	11.0%
****PPI index of industrial commodities**	3.8%	8.4%	13.2%
Average of the above three indexes	3.3%	8.8%	11.7%
PPI index of finished goods (indl/agric)	6.2%	7.0%	12.8%
Silver/Wholesaler index of 19 lines (plmbg/htng)	2.2%	6.0%	9.3%
Electrical Marketing index of 24 product groups	5.4%	6.7%	10.3%
*****NAED inflation index: 16 product groups**	8.8%	7.9%	11.3%
Consumer Price Index	3.2%	8.9%	12.4%

***Bureau of Labor Statistics**
****Producers Price Index (formerly Wholesale Index)**
*****National Assn. of Electrical Distributors (non-BLS)**

ID quarterly inflation index for industrial distributors (1967=100)

Product category	Current qtr to 12/81	Dec. 1980	% of inflation 12/81 vs. 12/80	Inflation annualized 1981	4th qtr 1980	4th qtr 1979	Annual inflation 1980
Industrial oil	359.8	327.2	10.0	10.0	327.2	275.1	18.9%
Prepared paint	256.7	241.7	6.2	6.2	241.7	210.7	14.7%
*Rubber belts & belting	312.3	271.3	15.1	15.1	271.3	238.1	13.9%
Other misc. rubber products	277.6	236.4	17.4	17.4	236.4	216.2	9.3%
Plastic construction products	153.4	153.7	-.2	-.2	153.7	148.3	3.6%
Finished steel products	347.5	311.4	11.6	11.6	311.4	288.5	7.9%
Wire & cable	206.7	214.0	-3.4	-3.4	214.0	203.0	5.4%
Copper wire & cable	198.9	207.6	-4.2	-4.2	207.6	197.1	5.3%
Aluminum wire & cable	240.9	234.0	2.9	2.9	234.0	219.6	6.6%
Builders hardware	266.1	242.7	9.6	9.6	242.7	215.6	12.6%
*Hand tools	323.3	291.8	10.8	10.8	291.8	256.7	13.7%
*Misc. metal products	281.4	258.4	8.9	8.9	258.4	239.9	7.7%
Industrial safety eq.	125.1	117.9	6.1	6.1	117.9	111.4	5.8%
*Bolts, nuts, screws & rivets (fasteners)	269.3	251.0	7.3	7.3	251.0	240.1	4.5%
*Power-driven hand tools	214.7	199.0	7.9	7.9	199.0	180.3	10.4%
Welding machines & eq.	270.0	249.1	8.4	8.4	249.1	231.5	7.6%
*Cutting tools & accessories	263.9	240.6	9.7	9.7	240.6	233.6	3.0%
Precision measuring tools	233.1	214.3	8.8	8.8	214.3	190.0	12.3%
*Abrasive products	285.7	261.5	9.3	9.3	261.6	233.6	11.9%
Metal cutting machine tools	359.1	330.6	8.6	8.6	330.6	288.2	14.7%
Metal forming machine tools	389.2	363.2	7.2	7.2	363.2	318.1	14.2%
Pumps, compressors & eq.	338.4	304.7	11.1	11.1	304.7	259.1	17.6%
Fluid power eq.	234.0	211.3	10.7	10.7	211.3	184.5	14.5%
*Industrial material handling eq.	284.6	261.7	8.8	8.8	261.7	240.6	8.8%
*Mechanical power transmission eq.	306.6	279.4	9.7	9.7	279.4	245.8	13.7%
*Valves & fittings	316.5	296.5	6.7	6.7	296.5	268.4	10.5%
Ball & roller bearings	321.6	279.0	15.3	15.3	279.0	237.7	17.4%
Plain bearings	271.6	271.5	0	0	271.5	248.9	9.1%
Wiring devices	318.9	277.3	15.0	15.0	277.3	257.0	7.9%
Electrical instruments	251.1	210.8	19.1	19.1	210.8	191.5	10.1%
Electric motors	284.1	255.5	11.2	11.2	255.5	236.8	7.9%
Generators & generator sets	336.8	311.2	8.2	8.2	311.2	252.6	23.2%
NIDA/SIDA composite	285.5	260.9	9.4	9.4	260.9	235.0	11.0%
Silver/ID composite	278.1	255.1	8.6	8.6	255.1	230.0	10.8%

*Included in NIDA/SIDA composite

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Industrial Distribution

April 1982

Hotline:
Distributors uphold GOP stance, but expect prolonged recession

C6165-2 4/20/82

WHERE ARE THE MARKETS?

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Indicators

The *NIDA/SIDA Industrial Distirbution Index* climbed 2.7 points (2.0%) in January, to 135.2, the first gain recorded in the *Index* since last October's meager boost of 0.5 points. Regionally, the east stayed dead even with December, at 136.0. While all other regions saw their indices rise against December levels, only the south is managing to stay ahead of year-ago figures. For January, the other regional figures are: the midwest, 116.4, up 3.0 points (2.6%); the west, 160.0, up 0.7 (0.4%); and the south, 162.2, up 5.8 (3.7%). Year-ago percentage losses: the east, down 7.6%; the midwest, down 7.6%; and the west, down 4.0%. The south is up 13.0% for the year....The *SIDA Monthly Sales Trend Report* for January was down 13.2% from the month before, but was still ahead of the year-ago mark by 1.9%...The National Wholesale Hardware Assn.'s *Sales Index* has been recalculated to reflect 1981 = 100, and has been broken down into seven regions from the previous four. Assuming that the previous month's index in all regions was, therefore, 100, the national figure was 102.6, up 2.6 (2.6%), boosted by gains in the southwest (5.7%), Great Lakes (4.3%), northeast (5.6%), east central (7.5%) and southeast (0.2%). Losses occurred in the west and plains states, in each case 4.1%...Sales were up and inventories down for copper and brass servicenters in January, according to the Copper & Brass Servicenter Assn., with the *Shipments Index* rising for the first time since August and the *Inventory Index* down for the first time in three months...Orders for new machine tools were up 38% in January, according to the National Machine Tool Builders' Assn. However, shipments were down 20%, perhaps reflecting a scarcity of orders in previous months. Orders for metal-cutting machine tools were up 43% for the month, and metal-forming tools enjoyed a 26% boost. Industry backlog now stands at about eight months' worth, or $3.1 billion, a figure which was declining throughout 1981...The Conference Board reports that consumer confidence showed some gain in January, although consumer optimism about the future apparently does not extend to planning major purchases of consumer goods this year. But consumer confidence seems ready to return.

Acquisitions...

[continued from page 10]

net worth. Sale prices improved as the year wore on: In the fourth quarter of 1981, prices averaged $18.2 million, while in the second quarter they averaged a low of $10.4 million. At bottom, reports Duff & Phelps, distributorships were acquired for somewhat below the average price throughout U.S. industry of 170% of net worth.

Interestingly, publicly-held acquisitors made 74% of 1981's purchases, but 70% of the acquired companies were privately owned. More firms sold for cash alone than for stock, notes or a combination of the three.

Of the 111 distributors acquired in 1981, 18 were in industrial supplies and equipment, 15 in electronic parts, eight in motor parts, six in plumbing and heating, and five in lumber and construction materials. Eight of the 111 distributorships were bought by foreign firms. □

[continued on page 20]

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Regional Report

January sales nosedive

The year 1982 got off with a thud as January sales dopped 10% when compared with the previous year, and 11% when compared with the previous month.

For the year-to-date, specialists were the hardest hit with an 18% downturn, partially offset in national totals by general liners' comparatively mild 7% sales drop.

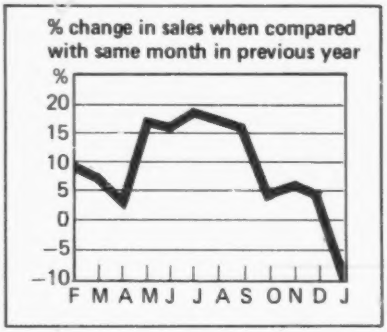
Red ink was splashed all around the country as only a few regions showed signs of economic vitality. Pennsylvania distributors posted a 9% increase; Massachusetts, 9%; Middle Atlantic, 5%; and New York City, 1%. All other areas are in steep decline.

Mountain state distributors exhibited the biggest losses—30%. Following close on their heels were Indiana and Georgia-Florida with, respectively, 26% and 22% plunges. Even the usually bullish, oil-blessed West South Central region witnessed a big, unexpected setback, a 10% sales dip.

Even so, Dept. of Commerce economists say that sagging sales are typical of the current recession. Agency figures confirm the trend by a 1.2% falloff in new factory orders for January. This latest piece of bad news indicates that the recession is still far from peaking. Estimates don't call for its hitting bottom until spring, and distributors should be prepared to face a long recovery. □

RECEIVABLES*	Jan. 1982 Gen.	Jan. 1982 Spec.	Jan. 1981 Gen.	Jan. 1981 Spec.
New England	48.2	47.8	49.6	46.6
Middle Atlantic	45.4	47.9	41.4	47.8
South Atlantic	38.5	34.4	41.4	32.8
East North Central	41.7	43.1	40.2	48.5
East South Central	44.0	60.0	39.0	60.0
West North Central	37.3	28.5	43.6	33.7
West South Central	—	—	—	—
Mountain	42.3	43.3	41.9	44.6
Pacific	42.7	50.0	43.1	45.2
National	42.5	43.6	42.5	44.9

*Average days outstanding


% change in sales when compared with same month in previous year

January sales plummeted due to forces of recession and high interest rates . . .

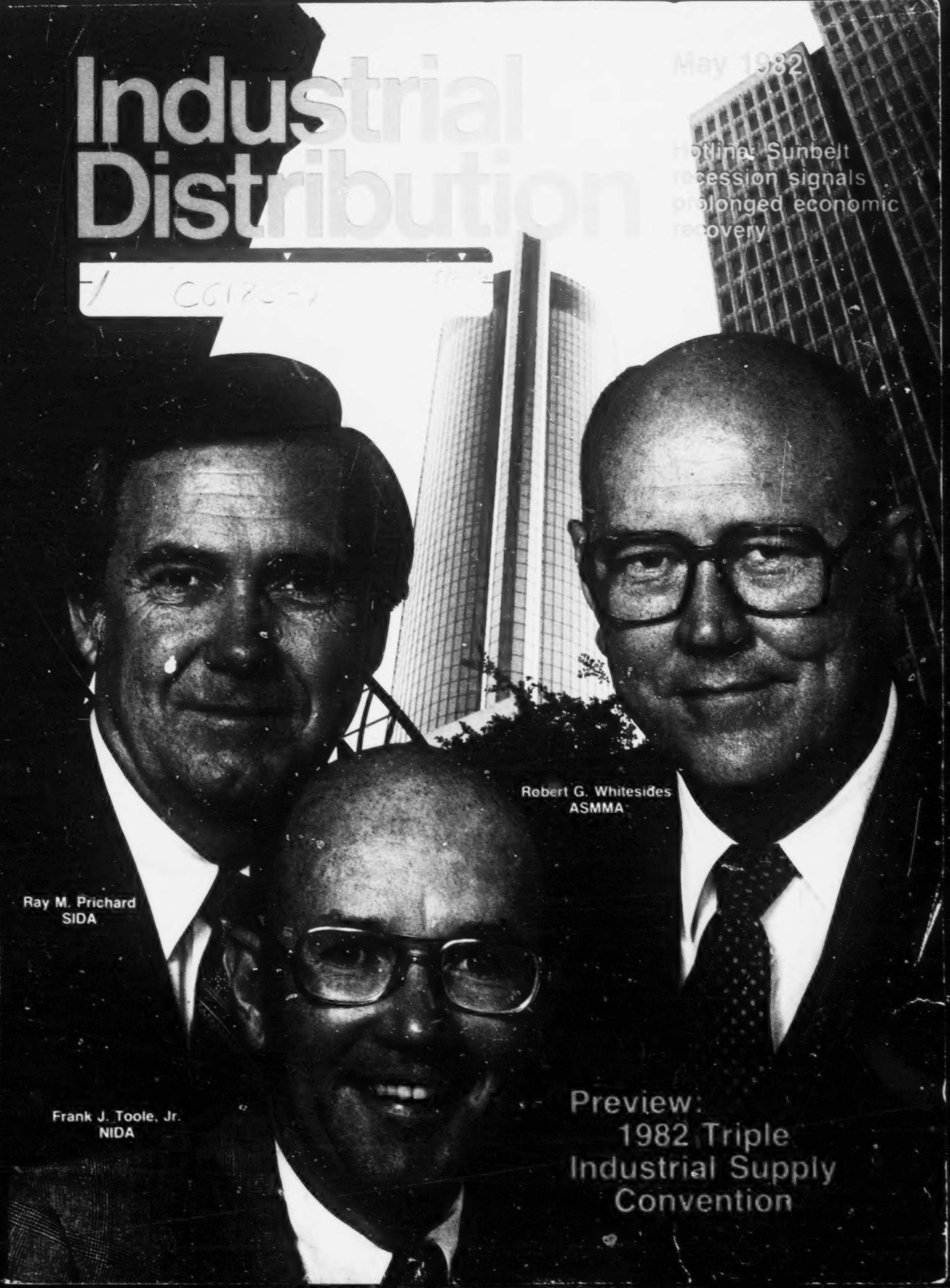
SALES BY REGIONS (% change)	Jan. '82 vs. Dec. '81 Gen.	Jan. '82 vs. Dec. '81 Spec.	Jan. '82 vs. Dec. '81 Both	Jan. '82 vs. Jan. '81 Gen.	Jan. '82 vs. Jan. '81 Spec.	Jan. '82 vs. Jan. '81 Both	1st mo. '82 vs. 1st mo. '81 Gen.	1st mo. '82 vs. 1st mo. '81 Spec.	1st mo. '82 vs. 1st mo. '81 Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−18	−5	−13	−3	+18	+5	−3	+18	+5
Connecticut	−25	−16	−21	−5	−22	−14	−5	−22	−14
Massachusetts	−11	−4	−8	−3	+27	+9	−3	+27	+9
MIDDLE ATLANTIC: NY, NJ, PA	−13	−13	−13	+4	+6	+5	+4	+6	+5
New York Metropolitan Area	−14	0	−5	−6	+4	+1	−6	+4	+1
Upstate New York	−4	−3	−4	−10	+5	−3	−10	+5	−3
Pennsylvania	−14	−36	−23	+18	+12	+15	+18	+12	+15
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	−9	−7	−8	−2	−13	−8	−2	−13	−8
SC, VA, WV	−7	−31	−13	+3	−17	−2	+3	−17	−2
Georgia-Florida	−18	0	−18	−22	0	−22	−22	0	−22
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−4	−18	−12	−14	−20	−10	−14	−20	−10
Indiana	−25	−32	−29	−25	−26	−26	−25	−26	−26
Wisconsin	0	−24	−16	0	−28	−12	0	−28	−12
Chicago	−6	−6	−6	−6	−10	−10	−6	−10	−10
Michigan	+1	0	+1	−33	+15	−17	−33	+15	−17
Ohio	+10	+25	+13	−10	+31	−2	−10	+31	−2
EAST SOUTH CENTRAL: AL, MS, KY, TN	−4	+11	+4	+3	−20	−9	+3	−20	−9
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−17	−22	−20	+6	−17	−9	+6	−17	−9
WEST SOUTH CENTRAL: AK, LA, OK, TX	−13	0	−13	−10	0	−10	−10	0	−10
Texas	—	—	—	—	—	—	—	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	0	−4	−4	0	−30	−30	0	−30	−30
PACIFIC: CA, OR, WA	+1	+11	+5	−16	−9	−20	−16	−9	−20
L.A.-San Diego	−1	+26	+6	−12	−8	−11	−12	−8	−11
Oregon-Washington	+3	+4	+4	−30	−10	−20	−30	−10	−20
U.S. TOTALS	−10	−11	−11	−7	−18	−10	−7	−18	−10

Industrial Distribution

May 1982

/ CG1RC-2

Hotline: Sunbelt recession signals prolonged economic recovery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NAPM survey says economy still shows no evidence of improving

NEW YORK—Despite some indications earlier in the year that the economy might have begun to turn around, the nation's purchasing managers say that the first quarter of 1982 was, after all, a literal downer.

The National Assn. of Purchasing Management's *Report on Business* for March says that, in that month, figures on production, incoming new orders and employment were still dropping. NAPM noted that while the rate of decline in production and new orders had slowed in recent months, there is still no evidence of any upturn in the economy.

While NAPM says that vendor deliveries showed sharp improvement in March—the number of NAPM members reporting quicker deliveries was up by 4%—the organization added that faster deliveries from manufacturers are typical in times when the economy is weak, since deliveries tend to slow when business is improving and backlogs build. NAPM's vendor-delivery indicator has been rising—that is, showing a worsening economy—every month since last May.

However, a bright note was struck in the *Report* as NAPM members said that prices of purchased materials were continuing to fall, maintaining a trend begun in February. Not since 1952 have so many survey respondents reported lower prices.

There was also more pessimism expressed among the purchasing managers about the state of the economy in the next 12 months. Also, 55% of the managers said that business in the first quarter of 1982 was worse than in the last quarter of 1981, while only 17% reported that business was better.

With all this, the *Purchasing Managers' Composite Index* dropped to 37.4% in March, down from 39.4% in February. An *Index* reading of below 50% indicates that the economy is declining.

Regarding specific commodity changes, the purchasing managers reported caustic soda still in short supply, but prices on oil country tubular goods were reported lower, after months of increasing prices and shortages. All grades of fuel oil, propane, diesel oil and gasoline were also reported lower in price. Also said to be cheaper in March were aluminum, copper, silver, sugar, ferrous scrap and ethylene glycol.

Report on Business seven-month trend (September-March)

Responses are from purchasing managers of 250 industrial companies

How far ahead are PAs buying industrial supplies?

	Hand to mouth	30 days	60 days	90 days	180 days and longer
	(percentage of respondents reporting)				
Production materials					
March	13	42	27	12	6
February	12	36	32	12	8
January	16	35	31	11	7
December	15	36	29	12	8
November	14	32	31	13	10
October	12	35	27	14	12
September	12	31	31	14	12
MRO supplies					
March	42	35	17	4	2
February	38	43	12	5	2
January	41	37	15	4	3
December	39	42	12	4	3
November	38	39	15	5	3
October	40	38	12	7	3
September	39	38	18	4	1
Capital expenditures					
March	15	5	10	13	57
February	13	6	4	17	60
January	14	4	5	15	62
December	17	3	3	14	63
November	15	3	5	13	64
October	12	5	3	13	67
September	12	4	4	11	69

Source: National Assn. of Purchasing Management

Campaign begun to convince Washington to cut budget further

PHILADELPHIA—The National Industrial Belting Assn. has mounted a campaign to convince the President and Congress that the Federal budget deficit for fiscal year 1983 should be cut still further by a reduction in spending, even below levels now thought politically impossible to exceed.

A bulletin sent by NIBA to its members says, "It is critical that massive wholesaler-distributor grassroots influence be brought to bear on the Congress and the Administration to urge them to move quickly to significantly reduce Federal spending. Write your represenatives and senators, and the President, immediately to urge that they take immediate steps to cut Federal spending."

NIBA is afraid that the deficits will curtail credit in the private sector, especially for small businesses. "Deficit projections of $150 billion are keeping interest rates stubbornly high, despite the recession," NIBA says. "These high interest rates are a very serious threat to achievement of the goals of the President's economic recovery program, which we strongly support through the National Association of Wholesaler-Distributors."

Commenting on the Administration's plan to reduce the 1983 deficit from $150 billion to $90 billion, NIBA says, "A $90 billion deficit is still too high; the deficit must be reduced further. This further reduc-

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[continued from page 19]

Indicators

The *NIDA/SIDA Industrial Distribution Index* fell a hefty 4.3 points (3.2%) in February, indicating that the recession was still very much with us in that month. Regionally, the picture was mixed. The east's index fell 5.3 (3.9%); the midwest was down 3.8 points (3.3%); the west's figure was up 6.4 points (4.0%); and the south's index plunged 13.6 points (8.4%). The February movement put the national index at 130.9. Regional figures: the east, 130.7; the midwest, 112.6; the west, 166.4; and the south 148.6 . . . The *NIDA/SIDA Industrial Supply Inflation Index* rose 1.4 points to 151.6 in February (up 0.9%), marking an annualized inflation rate of 11.8% . . . The National Wholesale Hardware Assn.'s new *Hardware Sales Index*, begun in January, fell 8.1 points in February, to 94.5 (down 7.9%). The seven regions of the index posted losses as well, with the exception of the northeast, which boasted a modest gain of 0.6 points (0.6%), to 106.2. The other regions: the west, down 2.4 points (2.5%), to 93.5; the plains states, off 13.5 (14.1%), to 82.4; the southwest, down 2.1 (2.0%), to 103.6; the Great Lakes states, down 20.4 (19.6%), to 83.9; the east central region, down 12.6 (11.7%), to 94.9; and the southeast, down 1.6 (1.6%), to 98.6 . . . The National Welding Supply Assn.'s *Welding Supply Index* fell 2.9 points (2.0%), to 140.8, in January. The new mark was only 0.4 points behind that of a year before, representing a slight loss of 0.3% . . . The ASMMA *New Order Index* for January went to 107.6, a loss of 2.9 points (2.6%) from the month before . . . The Federal Reserve Board's *Index of Production Manufactures* was off 1.8 points (1.4%) in January, falling to 126.0 . . . The U.S. Commerce Dept.'s 12 leading indicators showed a gain of 1.6 points (1.2%), risng to 129.4 in December . . . The National Fluid Power Assn.'s indices for orders and shipments showed new orders for all products up 3.8% in February, but that shipments declined by 5.8%. In January, orders were reported down 19.1% and shipments down 3.9% . . . The Conference Board says that capital appropriations by the 1000 largest manufacturers in the U.S. dropped 14.7% between the third and fourth quarters of 1981, to $22.6 billion. Actual capital spending rose only 0.4% in the fourth quarter. The weakness in the figures was due to cutbacks in petroleum industry purchasing.

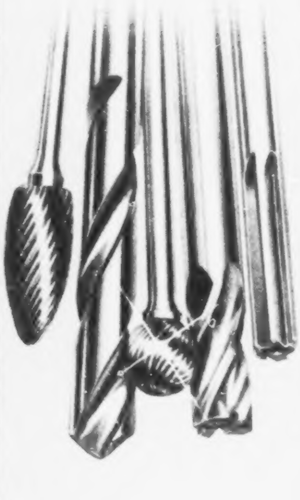
Changes

■ W. Burke Bero has been named executive vice president and general manager of Henry L. Hanson, Inc., Worcester, Mass. Bero will be responsible for all operations at Henry L. Hanson, which manufactures cutting tools.

[continued on page 27]

Rely on Ultra Tool

"Manufacturer of solid carbide cutting tools"



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February sales continue lax

There was good news and bad news in February's sales performance reports. The good news was that, nationally, distributor sales were up 8% over January's dismal showing; the bad news was that February sales ran 5% behind year-ago levels. However, the bad news was mitigated by a 5% drop, which was only half that shown in the January figures.

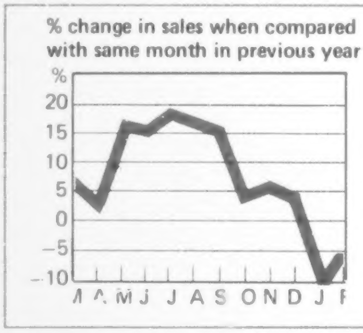
Specialist sales in February were up 12% across the nation; general line distributors reported 4% gains. Both categories said that their sales for the first two months of the year were running 5% above the levels set at the same time last year, sharply better than the combined 10% losses of last month.

It's in the year-ago figures, however, that distributor losses are more apparent. Connecticut specialists said they're running 25% behind February 1981 figures; in Indiana, they're talking about drops of 29%; and the west south central states reported a nosedive of 35%. That 35% loss might have been far worse had Texas not managed to come up with an 18% gain.

In month-to-month figures, the biggest success story was found in the Pacific states, where Los Angeles and San Diego specialists posted 55% gains for the month and 44% gains over February 1981. The 65% rise reported in the east south central region was skewed by fewer responses than normal.

RECEIVABLES*	Feb. 1982 Gen.	Feb. 1982 Spec.	Feb. 1981 Gen.	Feb. 1981 Spec.
New England	40.6	43.7	41.2	47.2
Middle Atlantic	42.3	43.6	41.4	47.7
South Atlantic	39.9	39.4	37.7	39.4
East North Central	44.0	44.9	42.1	44.5
East South Central	0	60.0	0	60.0
West North Central	40.3	37.5	42.0	44.0
West South Central	0	45.7	0	47.6
Mountain	24.2	40.2	28.3	43.4
Pacific	41.5	47.1	37.8	39.5
National	39.0	44.6	38.6	45.9

*Average days outstanding



February sales figures might indicate that the recession is slowing down . . .

SALES BY REGIONS (% change)	Feb. 82 vs. Jan. 82 Gen.	Spec.	Both	Feb. 82 vs. Feb. 81 Gen.	Spec.	Both	2 mos. 82 vs. 2 mos. 81 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+12	+4	+9	−6	−18	−10	+7	+18	+11
Connecticut	+8	+15	+10	0	−20	−7	+5	+27	+12
Massachusetts	+29	+5	+21	+4	−4	+1	+4	−2	+2
MIDDLE ATLANTIC: NY, NJ, PA	+4	+5	+4	+1	+2	+1	−4	−2	−3
New York Metropolitan Area	+8	−9	−1	−3	−2	−2	+4	−2	+2
Upstate New York	+11	4	+8	+6	+25	+14	−3	−18	−9
Pennsylvania	0	+30	+11	+3	−2	+1	−8	+3	−4
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+17	+16	+17	−3	−3	−3	+10	+6	+9
SC, VA, WV	+17	+11	+15	−3	+2	1	+10	+7	+9
Georgia-Florida	+12	+10	+15	−14	−5	−10	+21	+6	+14
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+1	+11	+6	−16	−9	−13	+14	−5	+5
Indiana	+6	+28	+17	−17	−29	−23	+14	+39	+27
Wisconsin	+13	+16	+15	−4	+2	1	+11	−4	+4
Chicago	+26	0	−26	−33	0	−33	−3	0	−3
Michigan	+24	+9	+17	−9	−17	−14	+16	−23	−4
Ohio	−9	+14	−3	−17	+6	−11	+19	+12	+17
EAST SOUTH CENTRAL: AL, MS, KY, TN	0	+65	+65	0	+19	+19	0	−1	−1
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+3	+7	+5	+9	−24	−4	−3	+26	+9
WEST SOUTH CENTRAL: AK, LA, OK, TX	0	−7	−7	0	−35	−35	0	+41	+41
Texas	0	+3	+3	0	+18	+18	0	−11	−13
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+17	+17	+17	+28	+5	+14	−14	+9	0
PACIFIC: CA, OR, WA	−8	+22	+6	−12	+9	−2	+7	+3	+5
L.A.-San Diego	0	+55	+22	−2	+44	+16	+5	−16	−3
Oregon-Washington	−9	+2	−3	−15	−11	−13	+8	+19	+14
U.S. TOTALS	+4	+12	+8	−5	−4	−5	+5	+5	+5

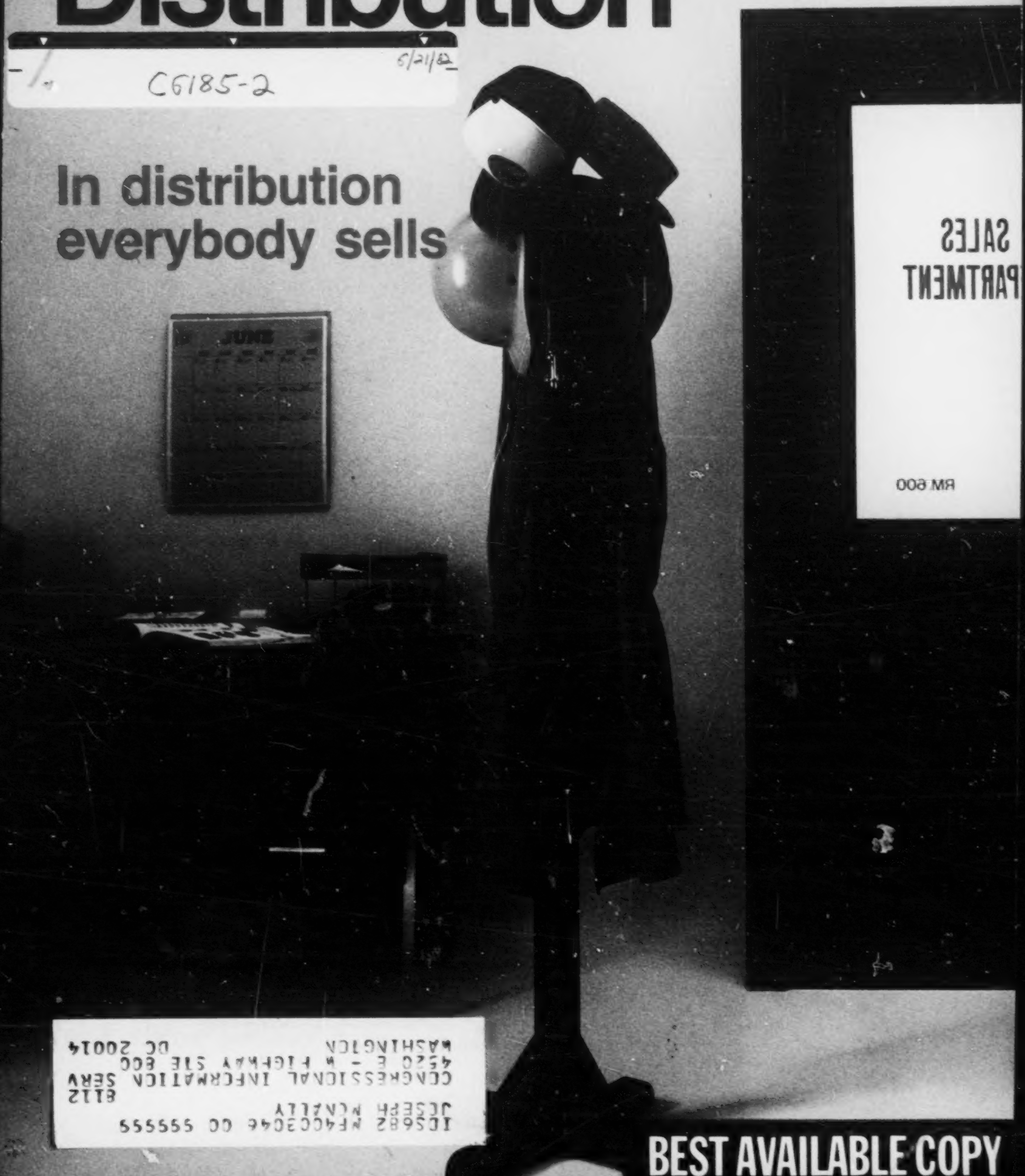
Industrial Distribution

June 1982

Hotline:
Bankruptcies surge in wake of recession, slump in markets

-1 C6185-2 6/21/82

In distribution everybody sells



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Cover Story

41 **In distribution everybody sells.**

A prospect calls your number with a question. Your operator answers with a smile and the right response. The buyer decides to order, so the operator quickly transfers the call to an inside salesperson, who records the order promptly and courteously, assures the buyer the items are in stock and guarantees rapid handling. The buyer's pickup truck comes to the dock and the order is all ready. Not once was an outside salesman involved. Who did the selling? Everyone.

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Inflation rates are down but the problems besetting distributors remain fixed in concrete. As this expert sees it, little immediate relief is forthcoming.

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High interest and faltering sales have combined to darken the economic horizon. The question becomes, how many distributors can survive the current onslaught of red ink?

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NAPM report reveals inflation is down but recession continues

NEW YORK—The April *Report on Business* from the National Assn. of Purchasing Management says that the economy is still slowing down, but continues to do so at a reduced rate. However, figures on production, new orders and employment continue to worsen, with only the produciton figures showing less decline than in previous months.

"Disinflation," as the opposite of inflation is sometimes called, was virtually the only upbeat part of the *Report*, as it has been in recent months. The number of NAPM members reporting lower prices in the *Report* climbed to a 30-year high; only 8% of the respondents reported higher prices, although this figure rose from 5% the month before.

The economy, however, is still weak, as evidenced by the *Purchasing Managers' Composite Index*. While the *Index* rose slightly, to 40.2% (from 37.4% in March), a reading of below 50% means that the economy is on the decline. The increase in the *Index* from March to April, however, indicates that the decline is slowing.

The April survey asked whether the responding purchasing managers felt that the second quarter of 1982 would be better than the first. Forty-five percent said yes, but 55% disagreed. Further, only 17% said their companies are operating at 90% of normal capacity or better, the lowest percentage of persons so responding since the question was first asked more than 21 years ago. The number of managers saying that their production rates were lower than 50% of normal capacity was the highest since May 1961.

Inventories continued to drop in March, as did capital spending, which continues in its downward spiral. The purchase of production materials and MRO supplies continues on a hand-to-mouth basis. Unemployment was reported slightly higher.

But on the disinflation front, news was better. For the first time in three monthly *Reports*, an item—starch—was reported up in price. Copper, diesel oil, oil and petroleum products, gasoline, and soda ash were said to be lower. Bearings and caustic soda were reported to be in continued short supply with no relief in sight. □

High prime rate may be the prime factor stalling recovery

NEW YORK—While the prime rate has fallen a few percentage points in the past year, its continued high level may prevent a recovery from the recession this year and perhaps hold the economy down through 1983.

That's the suspicion of Alan Silver, president of Alan Silver & Associates, a management consultancy firm in Highland Park, N.J. Silver, working with figures supplied by the Chase Manhattan Bank, says, "I certainly hope that sometime in 1982 we begin to come out of the recession. But it is well to note that as we came out of the recession in 1975, almost-normal interest rates were present, and this had to be a big help. I think many people do not realize how big a difference there is in the interest rate level between the two periods."

From July to December 1975, according to the bank's figures, the prime rate stood at an average 7.44%, peaking in September at 8.00% and falling to a low of 7.17% the next month. In contrast, the prime ran at an average 8.10% in the first six months of 1975, between a high of 9.93% in January and a low of 7.00% in June.

Chase Manhattan says that for the six-month period ending in March 1982, the prime ran at an average rate of 16.58%; it went as high as 18.40% in October 1981 and as low as 15.75% in the following December and January. The prime was higher still in the April-September 1981 period, running at an average 19.67%; the rate in July and August hit a record 20.50%, while the low figure for the period, 17.38%, occurred in April.

The prime rate, according to Chase Manhattan, last cracked the 10% barrier in October 1978 and has not gone below that mark since; a previous bout with a double-digit prime that occurred in 1974 and lasted eight months.

Says Silver, "In discussion of the outlook for recovery from the present recession, very properly, the point is raised that the very high interest rates in effect are a deterrent, and that the outlook for a big deficit is an obstacle to a reduction of the interest rates." □

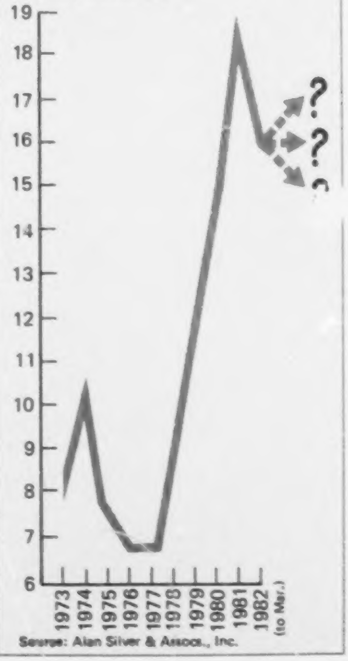
For other significant news, see WASHINGTON on page 27 and HOTLINE on page 48.

The prime rate, 1973-82
(monthly percentage)

YEAR	JAN	FEB	MAR	APR	MAY	JUN
1973	6.00	6.03	6.30	6.61	7.02	7.53
1974	9.73	9.21	8.86	9.96	11.25	11.53
1975	9.93	8.86	7.91	7.50	7.40	7.00
1976	6.97	6.75	6.75	6.75	6.78	7.23
1977	6.11	6.25	6.25	6.25	6.44	6.75
1978	8.00	18.00	8.00	8.00	8.30	8.63
1979	11.74	11.50	11.50	11.50	11.73	11.62
1980	15.25	15.66	18.28	19.62	16.48	12.50
1981	20.11	19.43	17.35	17.38	19.81	20.00
1982	15.75	16.53	16.37	—	—	—

	JUL	AUG	SEP	OCT	NOV	DEC
1973	8.30	9.24	9.86	9.95	9.51	9.90
1974	11.97	12.00	11.96	11.63	10.79	10.33
1975	7.38	7.35	8.00	7.17	17.46	7.25
1976	7.25	7.00	7.00	6.75	6.50	6.18
1977	6.75	6.83	7.25	7.50	7.75	7.75
1978	9.00	9.02	9.41	10.00	10.72	11.55
1979	11.54	11.92	12.89	14.35	15.73	15.65
1980	11.35	11.10	12.28	13.79	16.06	20.00
1981	20.50	20.50	19.83	18.40	16.66	15.75
1982	—	—	—	—	—	—

Average prime rate, 1973-82
(annual percentage)



Source: Alan Silver & Assocs., Inc.

[continued from page 8]

ity," and that the success of the President's economic program is "essential to the economic health of the United States."

Adds the resolution, "Without dramatic increases in incentives for investment in productive equipment and technology, the U.S. standard of living and security cannot be sustained."

AMTDA also resolved that Congress come up with a "restructuring of the country's education system" so that the vocational skills of graduates match the requirements of the existing job market.

U.S. Treasury makes indexing rules changes

WASHINGTON—The U.S. Treasury Dept. has announced new regulations on inventory. The regulations now allow for 80% indexing of inventory pools to the *Consumer Price Index* or the *Producer Price Index* for all businesses now restricted to valuing inventory based on internal indices alone.

Treasury is also allowing 100% indexing

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Indicators

The NIDA-SIDA Industrial distribution Index gained 2.4 points in March, rising to 133.3, a jump of 1.8%. However, the March figure is still 5.6 points (4.0%) below the year-ago figure of 138.9, indicating that economic recovery still has a way to go. Regionally, the *Index* reports that things are looking up everywhere but in the south, where the March mark of 145.0 represented a 3.6-point (2.4%) drop from the February figure. Other regions: the east, 140.8, up 10.1 points (7.7%); the midwest, up 2.3 (2.0%); and the west, up 2.0 (1.2%). In terms of percentages, only the south is doing better than it was in March 1981, having seen a boost of 3.3% in the past year. The three other regions are down: the east, 2.8%; the midwest, 8.7%; and the west, 1.7% ... *The NIDA-SIDA Industrial Supply Inflation Index* rose 1.0 point in March (0.7%) to 152.6, equating to an annualized figure of 8.2% inflation ... The *ASMMA New Order index* for February dropped 3.5 points (3.3%) to 104.1 ... The National Wholesale Hardware Assn.'s *Hardware Sales Index* gained 3.4 points (3.6%) in March, rising to 97.9. Five of the *Index*'s seven regions showed gains that month: the west, up 12.3 points (13.2%) to 105.8; the plains states, up 9.1 (11.0%) to 91.5; the southwest, up 2.7 (2.6%) to 106.3; the Great Lakes states, up 6.6 (7.9%) to 90.5; and the southeast, up 1.2 (1.2%) to 99.8. Losses were seen in the northeast, down 3.7 points (3.5%) to 102.5, and the east central states, down 8.2 (8.6%) to 86.7 ... The National Welding Supply Assn.'s *Welding Supply Index* jumped 7.1 points (5.0%) in February to 148.1, only 0.4% off the pace set last year. Purchases of welding equipment alone that month soared 25.4 points (17.9%), putting that segment of the *Index* at 167.3 ... The Material Handling Institute says that manufacturers reported bookings in January of $322.7 million, shipments of $327.7 million, compared with year-ago figures of $385.3 million for bookings and $348.2 million for shipments. The figures represent losses of 16.3% and 5.9%, respectively ... The National Tooling & Machining Assn.'s quarterly *Business Forecast Report* for April predicts that 1982 shipments will drop 5%, with inflationary losses producing an actual decline of 12% to 13%.

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March sales creep upward

March sales continued to climb up from a 12 month low reached last January, yet remain 2% below monthly totals of the previous year, according to *Regional Report* correspondents. Although specialists reported a 5% increase, general line losses pulled down the national totals.

Sales for the year-to-date are, however, 4% above last year.

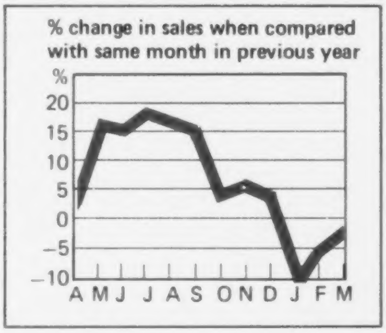
More important, though, is that March'82 sales were substantially above February sales for both specialists and general liners. This indicator could mean that the recession has bottomed out and business activity is once again on the rise. Some of the previously hardest hit areas showed the most dramatic recoveries. Chicago distributors were up 20%, Pennsylvania 17%, New England 18%, Mountain States 24%.

Year-to-date totals were less impressive, principally because only the severely depressed regions of 1981 showed any 1982 gains. So they really represent little more than partial recovery from a horrendously unprosperous previous year. Connecticut and Mountain distributors led the way with 18% and 14% increases, respectively. Close on their heels were West South Central and Indiana distributors, each exhibiting 12% sales climbs.

Among those posting losses were, surprisingly, Texas general liners, with a 12% drop. This could reflect the first quarter earnings drop of all major domestic oil producers. However, year-to-date sales for the West South Central show an increase of 4%.

RECEIVABLES*	March 1982		March 1981	
	Gen.	Spec.	Gen.	Spec.
New England	38.9	44.8	38.6	43.1
Middle Atlantic	42.3	44.5	42.0	45.0
South Atlantic	33.5	39.4	33.7	36.1
East North Central	39.3	38.1	41.9	41.2
East South Central	37.6	46.5	39.3	48.0
West North Central	36.6	37.6	40.1	41.5
West South Central	46.0	42.9	40.0	44.2
Mountain	52.4	50.9	54.1	53.1
Pacific	34.8	40.7	34.6	41.0
National	40.2	42.8	40.5	43.7

*Average days outstanding



March sales inched their way back toward previous year totals, but still lag . . .

SALES BY REGIONS (% change)	March '82 vs. Feb. '82			March '82 vs. March '81			3 mos. '82 vs. 3 mos. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+18	+17	+18	−2	−11	−5	+6	+16	+10
Connecticut	+12	−8	+2	−12	−19	−16	+9	+26	+18
Massachusetts	+18	+29	+21	−2	−1	−2	+4	+2	+4
MIDDLE ATLANTIC: NY, NJ, PA	+11	+15	+13	−10	+18	+5	0	−7	−4
New York Metropolitan Area	−4	+12	+7	−6	+16	+9	−2	−4	−3
Upstate New York	+18	+12	+15	−13	+19	0	+5	−12	−2
Pennsylvania	+14	+20	+17	−9	+21	+6	−2	−9	−6
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+14	+13	+14	+2	−4	0	+2	+6	+3
SC, VA, WV	+17	+6	+13	+6	−19	−2	−1	+13	+4
Georgia-Florida	+6	+16	+11	−12	+2	−5	+11	+3	+7
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+13	+11	+12	−12	0	−7	+13	−4	+6
Indiana	+10	0	+10	−7	0	−7	+12	0	+12
Wisconsin	+26	+3	+17	+7	−9	+1	+1	+1	+1
Chicago	+11	+29	+20	−33	+2	−16	+14	+1	+8
Michigan	+7	+10	+8	−21	+7	−9	+27	−13	+10
Ohio	+16	+10	+14	−12	+10	−3	+11	+12	+11
EAST SOUTH CENTRAL: AL, MS, KY, TN	+21	+7	+14	−2	−4	−3	+6	−4	+1
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+7	+23	+17	+3	+18	+12	+5	+16	+12
WEST SOUTH CENTRAL: AK, LA, OK, TX	+2	0	+2	−19	0	−19	+4	0	+4
Texas	−28	0	−28	−1	0	−1	−12	0	−12
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+9	+26	+24	+1	−15	−10	−7	+36	+14
PACIFIC: CA, OR, WA	+26	+25	+26	−11	−1	−7	+9	+6	+8
L.A.-San Diego	+21	+22	+21	+3	+10	+6	−1	−6	−3
Oregon-Washington	+27	+26	+27	+1	−5	−2	+10	+11	+10
U.S. TOTALS	+14	+17	+15	−8	+5	−2	+6	+2	+4

ID's quarterly inflation index

Inflation rates are down but the problems besetting distributors remain fixed in concrete. As this expert sees it, little immediate relief is forthcoming.

Both the *Silver/ID* and the *NIDA/SIDA Index* show a 4.0% and 4.1% annualized inflation rate respectively, based on the inflation rate for the first quarter. But for this period the *Producers Price Index* shows only a 1.2% annual rate. We believe the most reliable forecast of the annual inflation rate for commodities handled by industrial distributors is the average of all three, which is a 3.1% inflation rate on an annual basis. For the prior quarter (October-December 1981) the average of all three indexes was an annualized rate of 3.3%, which was much closer to the present trend than any single one of the three industrial indexes used for our average.

In our last *Quarterly Inflation Index* report (***ID:*** March 1982), we predicted that the inflation rate for 1982 in industrial distribution would be in the 3%-6% range. On the basis of the continuing decline in the inflation rate shown in this month's *Quarterly Inflation Index* report, we now predict that the annual rate will be in the 2%-4% range.

Note that based on the first quarter of 1982, the projected annual inflation rate of both the Silver/*ID* and the NIDA/SIDA indexes is less than half of that for 1981 and about one-third of that for 1980. The *Producers Price Index* for industrial commodities for 1982 shows a projected annual Inflation rate of 1.2%, one-seventh the rate for 1981. Note that nearly all of the other industry indexes in Table 1 reflect a sharp drop in inflation rate. I find that the two that don't show a sharp drop are influenced by random circumstances.

The Administration spokesmen who predicted that the economy would come roaring back in the spring now concede that the economy is dead in the water. In recent years, the profits shown by industrial distributors were often merely windfall gains from the high inflation rate. With the temporary removal of the veil of inflation, the inefficiency of many distributors' operations will be plainly visible. Even if a recovery does get under way early next year, low inflation rates are likely for both 1982 and 1983.

To show a profit in these two years, distributors are going to have to make it on their own merits with no help from inflation or tax gimmicks. With no subsidy from inflation and high interest rates, distributors can no longer afford to tolerate inventory turns which when properly calculated are hardly better than two turns a year. There will need to be more emphasis than ever on effective inventory control, manual or computerized.

By **Alan Silver**
Alan Silver & Associates, Inc.
Highland Park, N.J.

About bias

Bias of all published price indexes occurs in the compilation. In some situations, the prices furnished by the vendors to the Bureau of Labor Statistics do not reflect unpublished extra discounts. These tend to multiply in a period of recession so that the BLS may overstate inflation to an unknown degree. In a boom period, there is a tendency for some unpublished prices to be withdrawn so that, again, BLS may err by understating inflation. Where we show a BLS inflation rate for a downturn period, actual inflation rate could be around 1% less than is shown in these tables and in our remarks. In a boom period, inflation rate could be 1% more than is shown.

An unpublished list of 150 product groups is available from Alan Silver & Associates, 168 Woodbridge Ave., Highland Park, N.J. 08904. It shows the December price index for each year from 1967 (the base year) and is available for $50.

Table 1—Comparing inflation indexes

	*BLS inflation rates (%)			
	Current qtr 3/82 vs 12/81 annualized	Year-to-date 3/82 vs 12/81 annualized	12/81 vs 12/80	12/80 vs 12/79
Silver/*ID* index of 32 industrial product groups	4.0%	4.0%	8.9%	11.1%
NIDA/SIDA index of 10 industrial product groups	4.1%	4.1%	9.4%	11.0%
**PPI index of industrial commodities	1.2%	1.2%	8.4%	13.2%
Avg. of above indexes	3.1%	3.1%	8.9%	11.8%
PPI index of finished goods (indl/agric)	2.4%	2.4%	7.0%	12.9%
Silver/Wholesaler index of 19 lines (plmbg/htng)	5.2%	5.2%	6.0%	9.3%
Electrical Marketing index of 24 product groups	4.1%	4.1%	6.7%	10.3%
***NAED inflation index: 16 product groups	7.2%	7.2%	7.9%	11.3%
Consumer Price Index	2.4%	2.4%	8.9%	12.4%

*Bureau of Labor Statistics
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS)

Note: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Subsequent inflation index reports will follow the above format.

Table 2—ID quarterly inflation index for industrial distributors (1967 = 100)

Product category	Current qtr 3/82	Previous qtr 12/81	% inflation	Current qtr annualized %	Year-to-date 3/82 vs 12/81 annualized %	4th qtr 81	4th qtr 80	Annual inflation 81 %
Industrial oil	362.4	359.8	0.7	2.8	2.8	359.8	327.2	10.0
Prepared paint	259.3	256.7	1.0	4.0	4.0	256.7	241.7	6.2
*Rubber belts & belting	333.1	312.3	6.7	26.8	26.8	312.3	271.3	15.1
Other misc. rubber products	283.5	277.6	2.1	8.4	8.4	277.6	236.4	17.4
Plastic construction products	149.8	153.4	-2.3	-9.2	-9.2	153.4	153.7	-0.2
Finished steel products	349.2	347.5	0.5	2.0	2.0	347.5	311.4	11.6
Wire & cable	206.6	206.7	0.0	0.0	0.0	206.7	214.0	-3.4
Copper wire & cable	199.0	198.9	0.0	0.0	0.0	198.9	207.6	-4.2
Aluminum wire & cable	239.2	240.9	-0.7	-2.8	-2.8	240.9	234.0	2.9
Builders hardware	271.6	266.1	2.1	8.4	8.4	266.1	242.7	9.6
*Hand tools	328.6	323.6	1.5	6.0	6.0	323.3	291.8	10.8
*Misc. metal products	284.6	281.4	1.1	4.4	4.4	281.4	258.4	8.9
Industrial safety eq.	129.2	125.1	3.3	13.2	13.2	125.1	117.9	6.1
*Bolts, nuts, screws & rivets (fasteners)	271.9	269.3	1.0	4.0	4.0	269.3	251.0	7.3
*Power-driven hand tools	219.0	214.7	2.0	8.0	8.0	214.7	199.0	7.9
Welding machines & eq.	265.3	270.0	-1.3	-5.2	-5.2	270.0	249.1	8.4
*Cutting tools & accessories	270.2	263.9	2.4	9.6	9.6	263.9	240.6	9.7
Precision measuring tools	235.3	233.1	0.9	3.6	3.6	233.1	214.3	8.8
*Abrasive products	294.9	285.7	3.2	12.8	12.8	285.7	261.5	9.3
Metal cutting machine tools	365.6	359.1	1.8	7.2	7.2	359.1	330.6	8.6
Metal forming machine tools	398.0	389.2	2.3	9.2	9.2	389.2	363.2	7.2
Pumps, compressors & eq.	346.0	338.4	2.2	8.8	8.8	338.4	304.7	11.1
Fluid power eq.	240.4	234.0	2.7	10.8	10.8	234.0	211.3	10.7
*Industrial material handling eq.	288.4	284.6	1.3	5.2	5.2	284.6	261.7	8.8
*Mechanical power transmission eq.	311.8	306.6	1.7	6.8	6.8	306.6	279.4	9.7
*Valves & fittings	320.0	316.5	1.1	4.4	4.4	316.5	296.5	6.7
Ball & roller bearings	322.1	321.6	0.2	0.8	0.8	321.6	279.0	15.3
Plain bearings	271.6	271.6	0.0	0.0	0.0	271.6	271.5	0.0
Wiring devices	322.9	318.9	1.3	5.2	5.2	318.9	277.3	15.0
Electrical instruments	257.2	251.1	2.4	9.6	9.6	251.1	210.8	19.1
Electric motors	287.0	284.1	1.0	4.0	4.0	284.1	255.5	11.2
Generators & generator sets	339.7	336.8	0.9	3.6	3.6	336.8	311.2	8.2
NIDA/SIDA composite	292.1	285.5	2.3	9.2	9.2	285.5	260.9	9.4
Silver/ID composite	281.0	278.1	1.0	4.0	4.0	278.1	255.1	9.0

*Included in NIDA/SIDA composite

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Industrial Distribution

July 1982

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36th Annual Survey of Distributor Operations

Industrial Distribution

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Indicators

The NIDA-SIDA Industrial Distribution Index for April was up 1.1 points (0.8%), to 134.4, although it remained 11.2 points (7.7%) behind the year-ago mark of 145.6. Despite the rise in the national figure, three of the four regions covered by the *Index* posted losses for the month: the east, down 0.4 points (0.3%), to 140.4; the west, off 2.6 (1.5%), to 165.8; and the south, down 1.5 (1.0%), to 143.5. The midwest reported a gain of 3.3 points (2.9%). All four regions are down from a year ago: the east by 7.5%, the west by 6.2%, the midwest by 9.5% and the south by 6.3% . . . The news remained good on the inflation front in April, with the *NIDA-SIDA Industrial Supply Inflation Index* posting a trivial gain of 0.3 points, rising to 152.9. The 0.2% hike equates to an annualized inflation rate of 2.4%, well below the previous year's reported rate of 7.2% . . . The *SIDA Monthly Sales Trend Report* for March showed a healthy 12.1% rise in sales for the month, narrowing the year-ago gap to a loss of 0.3%. The year-to-date figure is running 0.6% ahead of 1981, and 72% of locations reporting said that their sales showed increases in March compared with February . . . The *ASMMA New Order Index* was down again in March, to 98.9, a drop of 5.2 points (5.0%) from the month before . . . The Federal Reserve Board's *Index of Production Manufactures for Durable Goods* was down slightly in March by 0.6 points (0.5%), to 128.6 . . . The U.S. Commerce Dept.'s list of 12 leading indicators fell again in February, to 124.9, a loss of 2.1 points (1.7%) . . . The National Industrial Belting Assn.s *Quick Pulse Sales Trend Survey* for the first quarter of 1982 shows that members' sales were down 4.0% from the last quarter of 1981, although respondents predicted sales gains of 4.7% in the second quarter. The *Survey* also indicates that sales in the first quarter of this year were down 10.0% from the first quarter of 1981 . . . The American Machine Tool Distributors' Assn. has released its first-ever public edition of the *AMTDA Sales Report*, which for March indicates a drop of 1.8 points (3.1%), to 55.8. The 12-month sales figure, from April 1981 to March of 1982, was off 4.9, to 83.1.

Accountants' group, SBA agree on tactics for small business

WASHINGTON—The National Society of Public Accountants has agreed to provide small businesses with free training and counseling in order to help businesses avoid problems caused by inexperienced or uninformed management. The agreement was reached with the U.S. Small Business Administration.

SBA says that the accountants' group is one of more than 100 trade and professional organizations that have agreed to work with SBA to assist small businesses with management problems. Under the agreement, NSPA will provide its free services for a client when called upon to do so by SBA. The organization, which has more than

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April sales tumble

The monthly sales total in April fell 10% for all distributors, according to *Regional Report* correspondents. When compared to the same month of the previous year, specialists were the hardest hit with a 13% downturn. General liners fared slightly better with a less severe drop of 7%.

Around the country, the sales picture was painted in red ink. Only two regions (South Atlantic and West South Central) claimed sales upturns. Declines ranged from a steep 23% for Michigan distributors to a dip of 6% for those located in the Pacific states.

Year-to-date sales, however, look far more promising. Here, there's more good news than bad, with no regions reporting declines, although individual areas such as Texas and Los Angeles/San Diego show downturns of 9% and 5%, respectively.

The biggest gainers were Indiana, up 24%; Mountain, 20%; Chicago and Massachusetts, each up 14%.

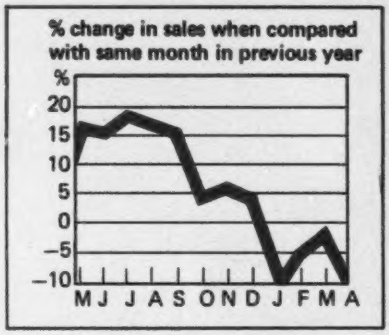
While monthly drops run in accordance with the Federal Reserve Board's index of factory output, the year-to-date increases remain puzzling. For April, the Fed says, factory output fell at a seasonally adjusted rate of 0.6%, following a drop of an adjusted 0.8% in March.

For the year to date, the Fed index is pegged at 140.7% of the 1967 Average, which represents a 7% drop from 1981 highs.

Distributors appear to be holding their own in light of these figures, even after adjustments are made for inflation.□

RECEIVABLES*	April 1982		April 1981	
	Gen.	Spec.	Gen.	Spec.
New England	41.5	42.7	38.9	43.0
Middle Atlantic	42.8	44.6	44.2	46.3
South Atlantic	34.1	35.7	36.0	33.4
East North Central	35.1	43.8	39.1	36.2
East South Central	42.6	60.0	40.3	60.0
West North Central	38.3	38.2	37.9	40.2
West South Central	50.0	0	48.3	0
Mountain	24.5	22.1	32.8	32.4
Pacific	33.2	54.5	33.4	39.2
National	38.0	42.7	39.0	41.3

*Average days outstanding


% change in sales when compared with same month in previous year

Although impressive year-to-date gains continue, monthly totals still slide . . .

SALES BY REGIONS (% change)	April '82 vs. March '82			April '82 vs. April '81			4 mos. '82 vs. 4 mos. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−20	−12	−17	−15	+2	−9	+7	+23	+13
Connecticut	−24	+11	−12	−9	−10	−9	+9	+22	+13
Massachusetts	−18	−15	−17	−19	+9	−8	+8	+23	+14
MIDDLE ATLANTIC: NY, NJ, PA	−20	−18	−19	−16	−12	−14	+16	0	+8
New York Metropolitan Area	−17	−18	−18	−3	−11	−8	+2	0	+1
Upstate New York	−16	−14	−15	−9	−10	−9	+7	0	+4
Pennsylvania	−24	−20	−22	−27	−15	−22	+7	0	+4
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	−12	0	−7	+7	+1	+5	−3	+4	0
SC, VA, WV	−13	+6	−5	+15	+8	+12	−8	+7	−2
Georgia-Florida	−12	−1	−7	−14	0	−7	+13	+4	+9
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−8	−19	−14	−15	−22	−19	+10	+3	+6
Indiana	0	+20	+20	0	+1	+1	0	+24	+24
Wisconsin	−14	−7	−12	−13	−18	−15	+5	+4	+5
Chicago	+5	−37	−23	−25	−19	−21	+20	+11	+14
Michigan	+15	−24	−14	−7	−28	−23	+16	−6	−1
Ohio	−10	−23	−17	−16	−24	−20	+8	+6	+7
EAST SOUTH CENTRAL: AL, MS, KY, TN	−7	+4	−2	−19	−23	−21	+15	+10	+13
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+19	−18	−9	−6	−7	−7	+11	+7	+8
WEST SOUTH CENTRAL: AK, LA, OK, TX	+44	−44	+26	+31	−22	+20	+10	+18	+12
Texas	+6	−44	−19	−1	−22	−12	−9	−9	−9
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−27	−19	−23	−7	−37	−22	−7	+46	+20
PACIFIC: CA, OR, WA	−10	−10	−10	−4	−8	−6	+3	+1	+2
L.A.-San Diego	−14	−8	−9	0	+2	+1	−5	−5	−5
Oregon-Washington	−5	−11	−9	−8	−12	−10	+10	+5	+7
U.S. TOTALS	−9	−15	−12	−7	−13	−10	+8	+7	+8

36th Annual Survey of Distributor Operations

'81 sales are up, but profits skid

Record level interest rates and recession delivered one-two punches to profits, costs. Operational plans call for retrenching, delaying EDP purchases, and hoping that 1982 will signal the start of a turnaround.

Industrial distributors managed to dig out a healthy 15% sales increase in 1981 over 1980, despite a generally weak economy and an officially declared recession in the fourth quarter. Distributor performance outpaced manufacturing and the Federal Reserve Board's *Index of Industrial Production*, which registered a 2% rise for the same period.

However, inflation combined with near record interest rates hung on throughout most of the year to seriously damage the industry's bottom line. Net profit after tax slid from 3.4% in 1980 to 2.6% in 1981 for general liners; specialists dropped from 2.7% to 2.5%.

Faltering profit picture

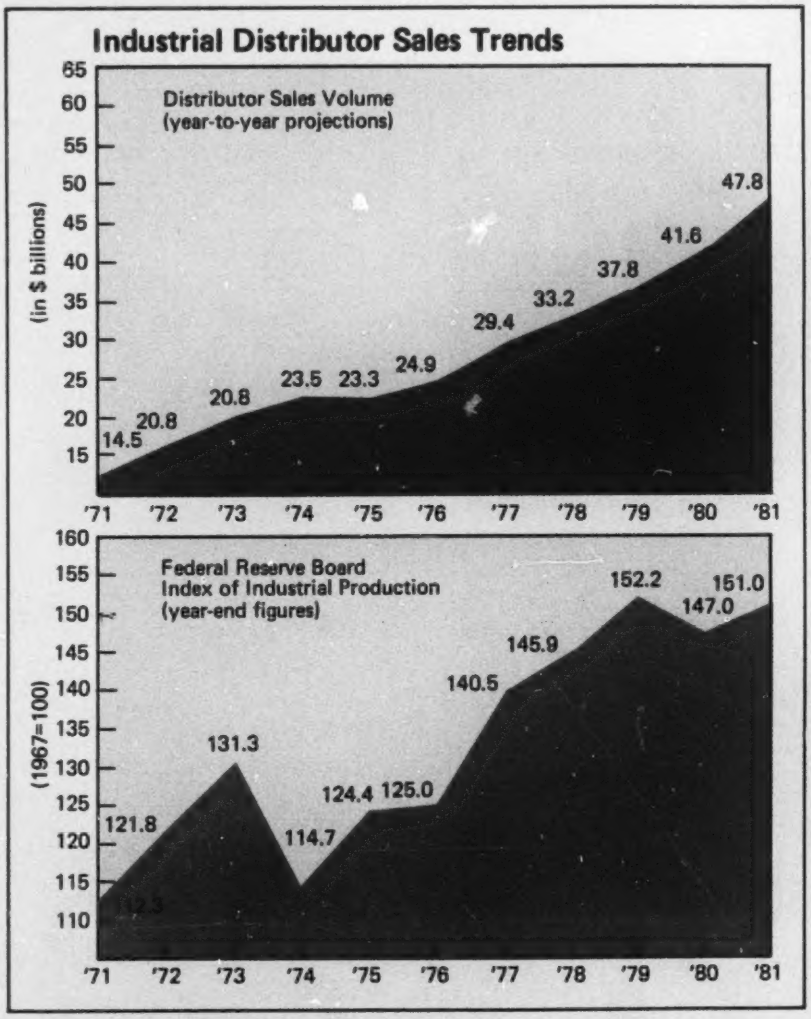
Gross profit was a mixed bag with more downs than ups. For general liners, gross profit on sales from stock receded from 1980's total of 22.5% to 20.4%. Specialists fared better with a small increase, rising from 20.9% to 21.4%. Items normally stocked but ordered as specials showed marginally greater resistance to profit erosion for general liners and declined only 0.6% to 3.3% of total sales. Specialists witnessed only a 0.3% drop to 3.8% of total sales.

In the category of non-stock items, both general liners and specialists posted increases in gross profit. Though small in terms of size of increase and as a percentage of total sales, the rise did help guard against even more red ink being splashed on the bottom line. The figures for specialists are 3.6% in '81, up from 3.3% in '80; and for general liners 5.4%, up from 4.6%.

Gross on direct shipments as a percent of total sales dipped 1% for general liners to 2.6%, and increased 0.1% for specialists to 3.5%.

Rounding out the profit picture was a before-tax net that inched downward from 4.3% in 1980 to its current level of 3.7% of total sales for all distributors.

One reason for erratic profit performance is that distributors were less successful in curtailing operating expenses than in years past. Some even showed astounding in-



Industrial Distributor Sales Trends

The Year at a Glance

- **Gross profit: general line up, specialists up**
- **Operating costs: general line even, specialists lower**
- **Before-tax net: general line down, specialists up**
- **PPR: general line strengthen, specialists strengthen**
- **Collections: general line up, specialists up**

creases, none more so than the 11% jump for specialists with less than $2 million in annual sales. Next came general liners with gross sales between $4.0 million and $5.9 million with a 2.9% hike to 14.5% of total sales.

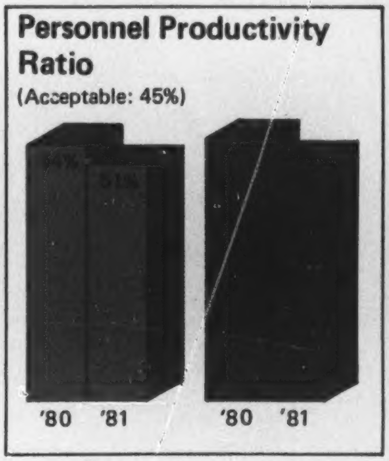
The biggest decreases in operating expenses came from specialists in the $6-million-plus size. Here the total dropped 3% to 13.7%. General liners with less than $2 million in annual sales placed second, checking in with a 1.2% expense reduction to 18.5% of total sales. Other increases and decreases were negligible.

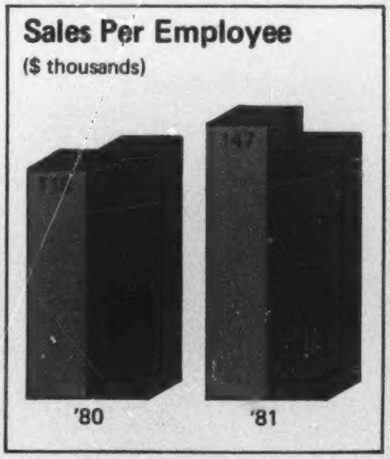
Perhaps 1981's lackluster profit and cost picture colored distributor projections for 1982. While the median forecast for all distributors estimates that sales will be up 18%, a full 30% predicted that sales will continue in a recessionary decline. Those forecasting doom and gloom say that sales will be off 16.4%.

On the positive side, however, 20.2% of all distributors think sales will be up 5% to 9%; 27.5% believe they'll see increases of between 10% and 14%; 16.2% are betting on a 15% to 19% upturn, and 13.1% are looking for a surge of 20% to 24%. Taken as a whole, the picture is characterized by optimistic, if not overjoyed, tones.

Prices, though, exhibit a much stronger stabilizing trend in 1981 than in 1980. In the previous edition of this survey (March 1981) only 4% of the general liners and 9% of the specialists expected price increases of less than 7%. This year, 56% of the general

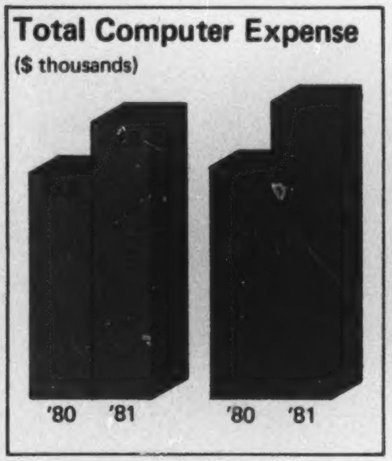
Personnel

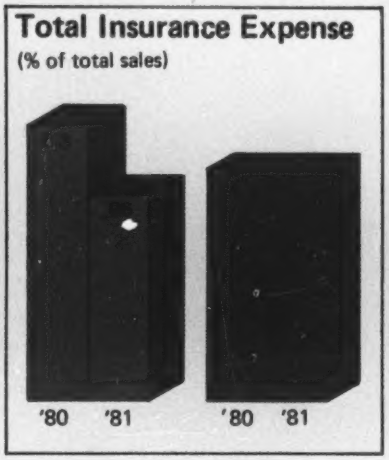


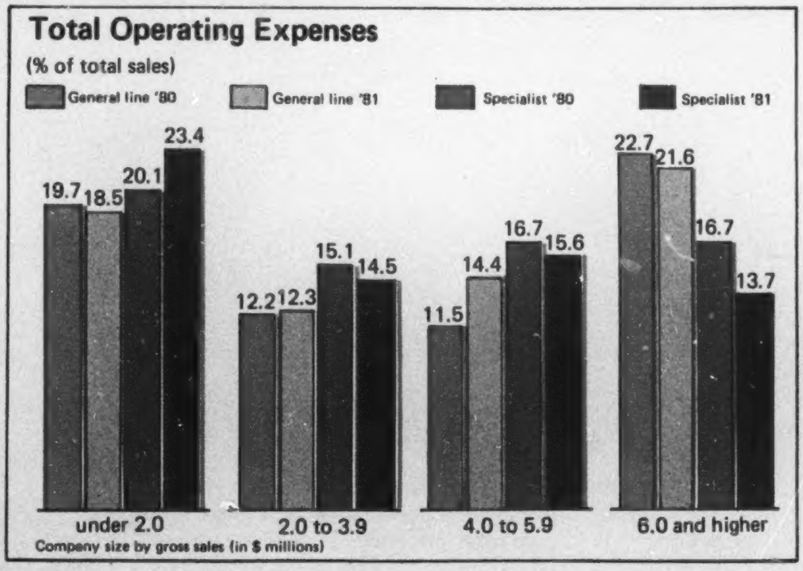


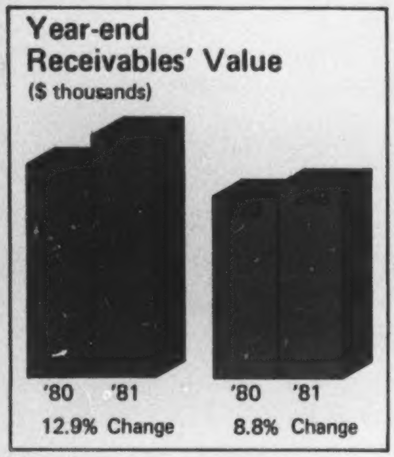
General line ■ Specialist ▨

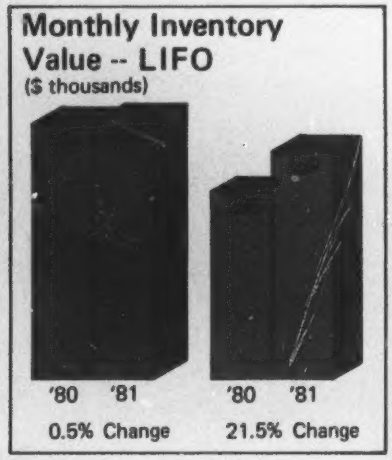
Costs

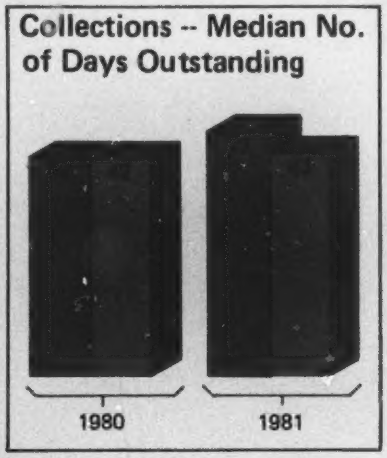




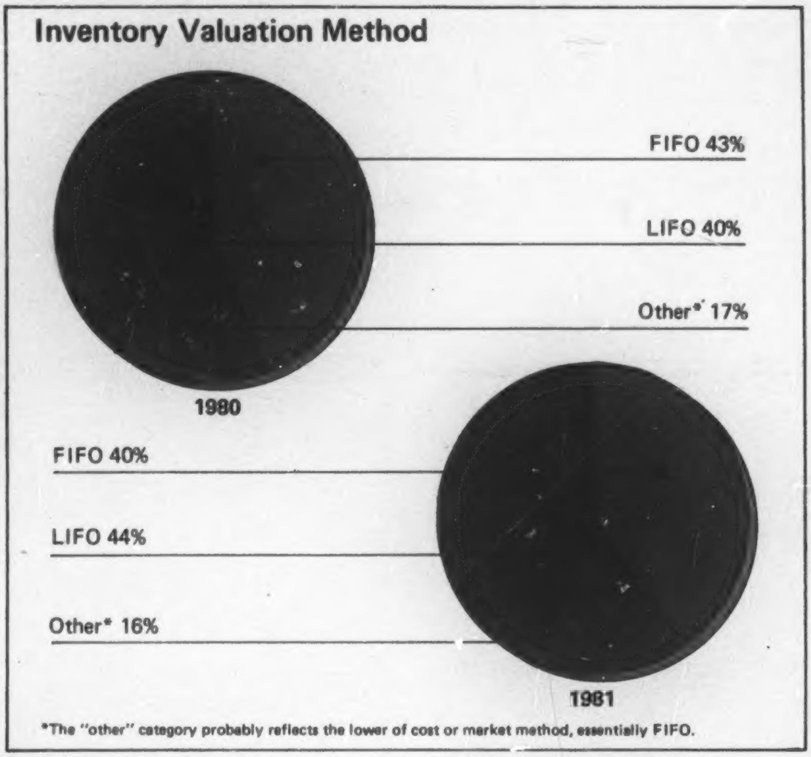



Year-end Receivables' Value
($ thousands)

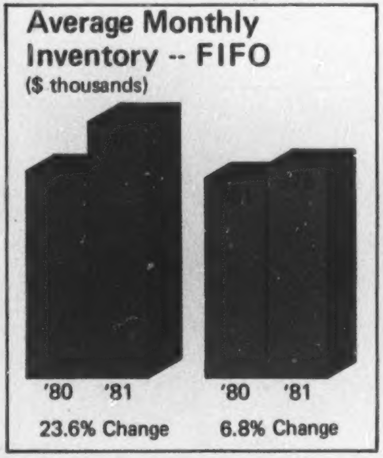

Monthly Inventory Value -- LIFO
($ thousands)


Collections -- Median No. of Days Outstanding

■ General line ■ Specialist


Inventory Valuation Method

*The "other" category probably reflects the lower of cost or market method, essentially FIFO.


Average Monthly Inventory -- FIFO
($ thousands)

Inventory Turns on Stock Sales

liners and 60% of the specialists predict prices to check in at this level.

Ten percent of the general liners and 10% of the specialists predict price increases of 11% and above. The data indicate that distributors feel, in accordance with current Administration fiscal policy statements, that inflation is under control, although recession still rages.

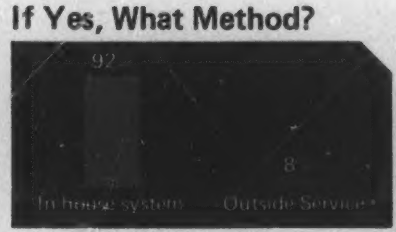
Productivity up

Yet even with sagging profits, employee productivity is definitely picking up steam. Sales per employee climbed 25% for general liners in 1981 to reach $147,000. Specialists, however, did not fare as well, and posted only a 1% increase, with the dollar figure reaching $129,000. Reversing a pattern of many years, sales per employee in general line firms increased more, and to a higher plateau than those of specialists.

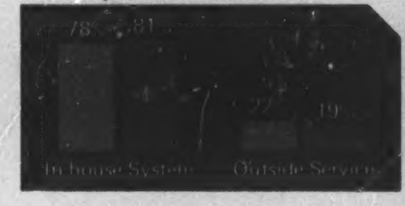
Gross profit per employee is also on the upswing. A full 10% rise was clocked in general line distributorships—$51,000 for 1981, up from $46,000 in 1980. In keeping with the sales-per-employee trend discussed above, specialists finished the year with a more modest 2.3% increase. The

Computer Use

If Yes, What Method?

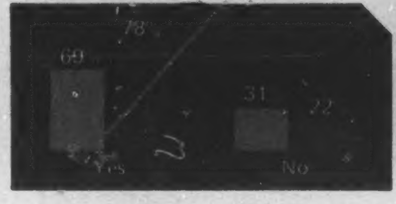


If Yes, What Method?



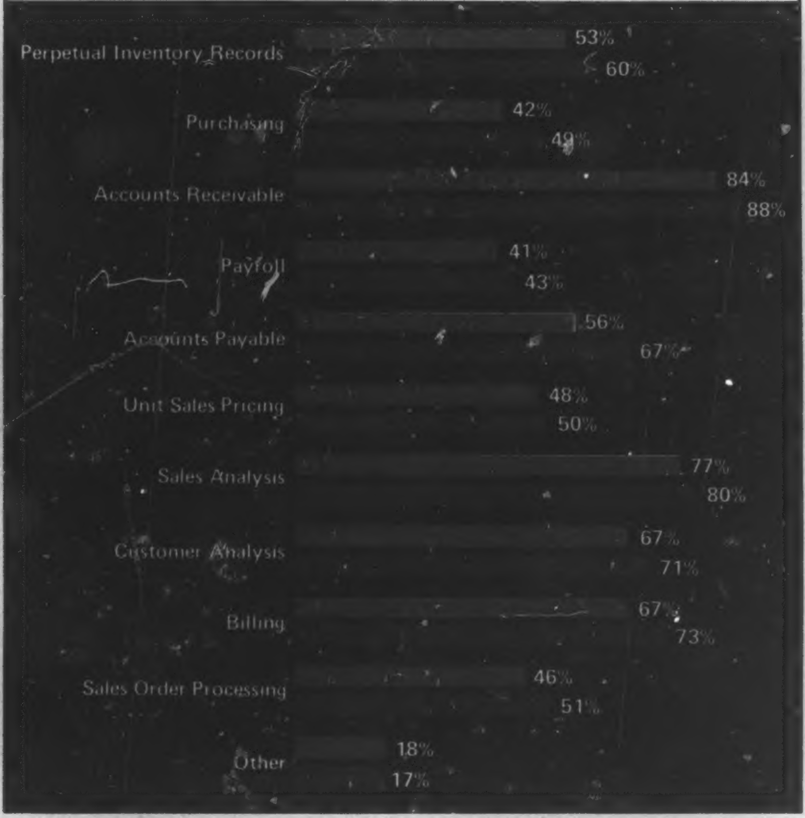
System On-line

(Direct access, instant response)

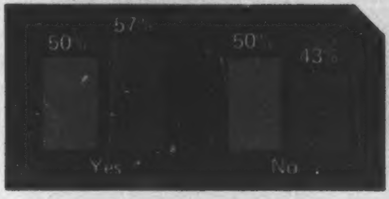


▨ 1980 ▨ 1981

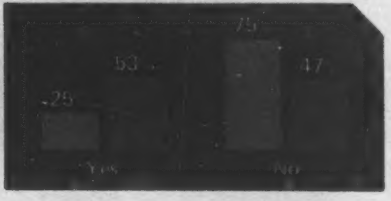
Computer Applications



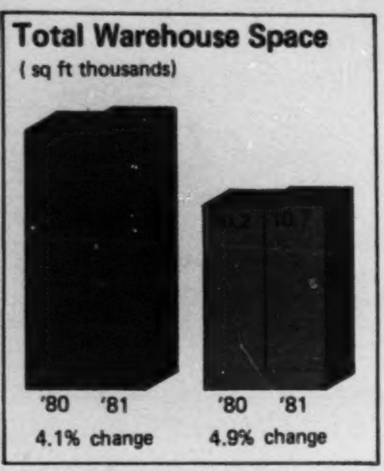
Computerized?

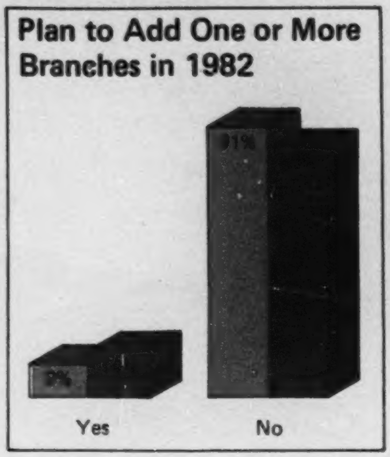


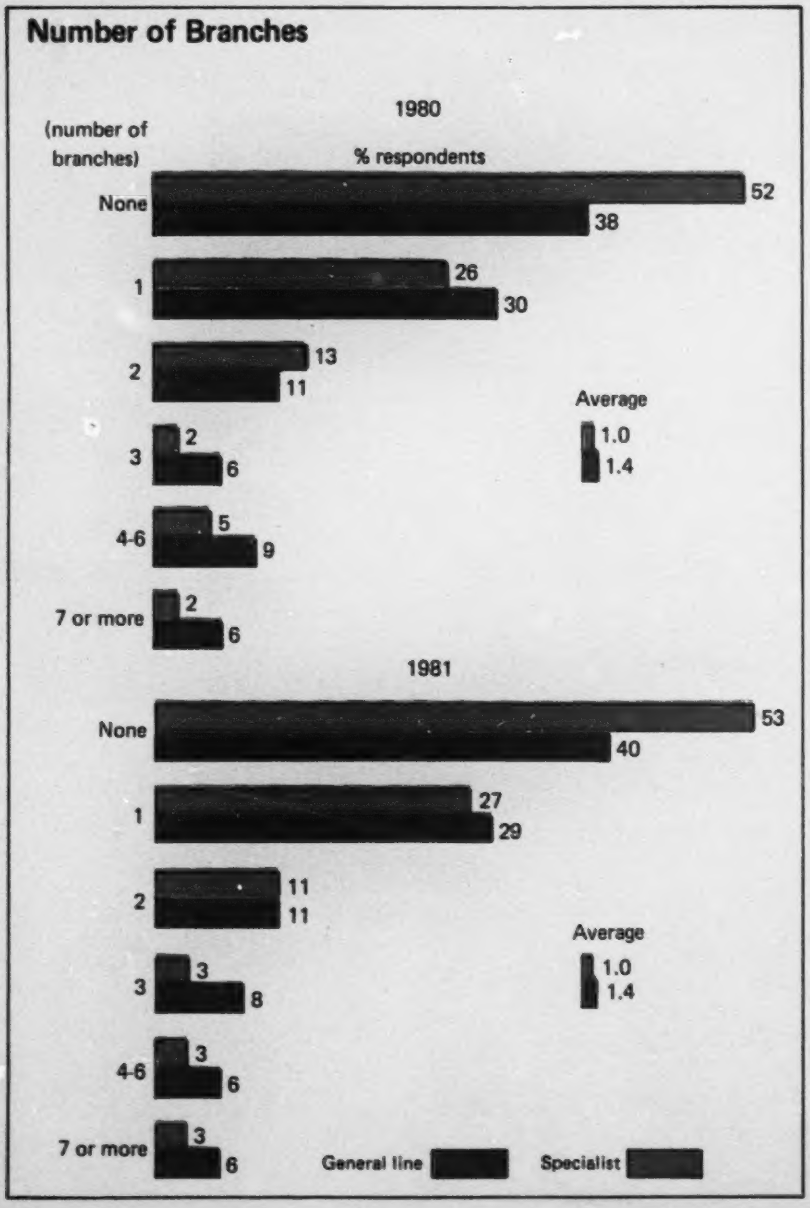
Plan to Computerize?



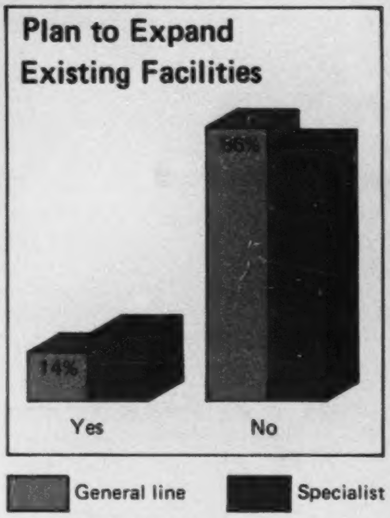
▨ 1982 ▨ 1983


Total Warehouse Space
(sq ft thousands)


Plan to Add One or More Branches in 1982


Number of Branches

Facilities


Plan to Expand Existing Facilities

1981 figures of $43,000 compared with $42,000 in 1980.

The best indicator of employee productivity supports other figures showing productivity on the rise. Called the personnel productivity ratio, the calculation charts a positive drop in the percentage. For general liners the PPR fell from 54% to 51% in 1981, and specialists demonstrate a strengthening from 55% to 52%, which helped offset sagging sales.

PPR is a formula devised by consultant George C. Webster to measure the productivity of distributors and wholesalers. The formula:

$$\frac{\textbf{Total Compensation}}{\textbf{Gross Profit \$}} \times 100$$

The acceptable range is 45%, and the higher the number, the lower the worker performance. But since figures used here are medians, half of all distributors will find themselves working at higher productivity levels, and half below those posted here.

Personnel toe the line

With distributors beefing up the in-house performance of existing employees, few were added throughout the industry. Totals for 1981 show that general liners added a mere 0.2 persons, and specialists check in with a 0.8-person increase. Both general liners and specialists mark a drop in outside sales power, with increased phone sales forces compensating for the decline.

This trend should remain fairly consistent throughout 1982. In 1980, 71% of the general liners and 60% of the specialists surveyed planned to increase staffs during 1981. Those polled this year indicate that only 42% of the general liners and 47% of

Sales and Profits

the specialists plan a swelling in the personnel ranks. Those with staff additions on the books anticipate overwhelmingly that the preference is for adding outside salesmen. Eighty-eight percent of general liners will add to outside staffs, while 52% expect to put on more inside men. For specialists, the numbers show 88% opting for more outside sales power, and 59% for inside.

Expansion curtailed

With prolonged recession and still high interest rates, it's not surprising that few distributors plan to open new facilities. Only 9% of the general liners and 14% of the specialists intend to launch additional outlets for 1982. When looked at in terms of dollar volume, the recurring pattern of big operations getting bigger appears. In the specialist category, 14.6% of those in the $6-million-plus annual sales range plan new branches, as do 35.3% of those grossing $4.0 million to $5.9 million; 17.1% in the $2.0 million to $3.9 million range, and 18.3% for those with less than $2 million in annual sales. For general line firms, the figures are generally lower: $6 million plus, 14.3%; $4.0 million to $5.9 million, 40.0%; $2.0 million to $3.9 million, 3.8%, and less than $2 million, 4.3%.

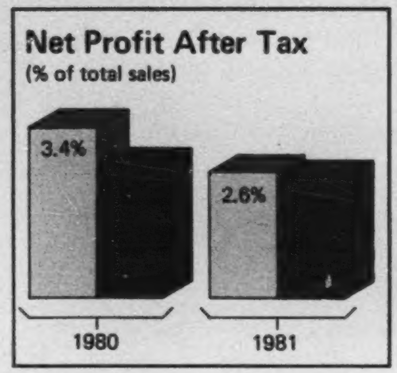
While interest in acquisitions is about par with previous years (31.8% of general liners and 29.7% of specialists approached with an offer in 1981), it's significant that a great deal more interest is being expressed in large, multibranch houses. Specialists and general liners in the $6-million-plus category report that, respectively, 56.5% and 55.6% were approached last year. Much less enthusiasm appears to be shed over single-unit operations. For example, in the under-$2-million sales category, 27.1% of the general liners and 23.3% of the specialists say they were approached.

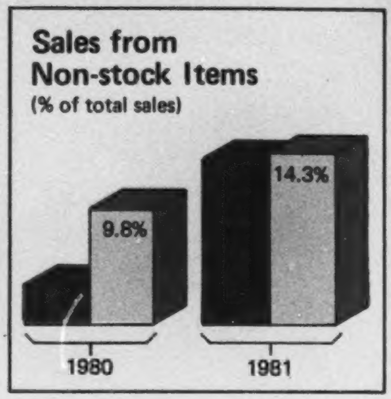
Total warehouse space remained fairly consistent with totals of the previous year. General line distributors chalked up a 4.1% increase, a rise from 14,500 sq ft to 15,100 sq ft. Specialists boasted a slightly larger gain, 4.9%. Their figures for 1981 are 10,700 sq ft, compared with 10,200 sq ft in 1980. Only a handful of distributors—14.3% of general liners and 19.9% of specialists—plan to add to existing facilities.

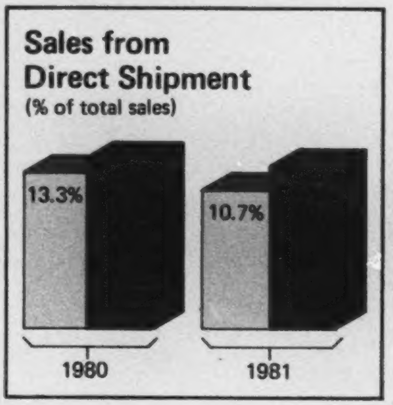
Compensation drags

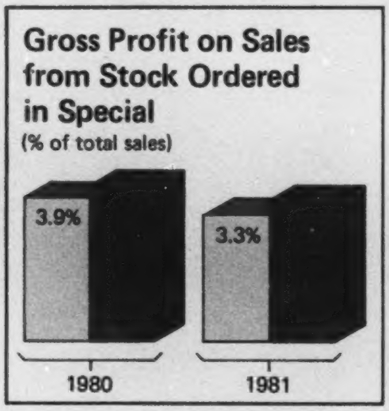
Throughout 1981, compensation staggered along, barely increasing from 1980 levels. This, however, is hardly surprising in a year with eroding profit performance. General liners chalked up the highest increase, 5%, with total compensation reaching $433,000. Specialist totals remained pegged at last year's level.

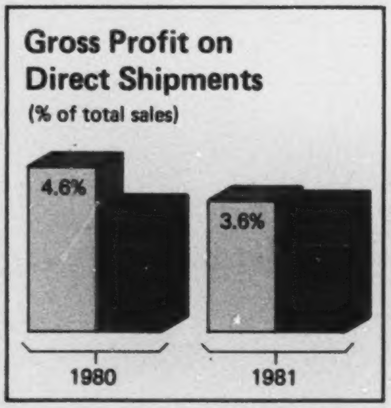
▨ General line ■ Specialist

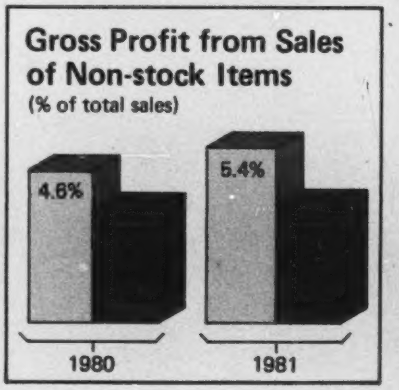

Net Profit After Tax
(% of total sales)

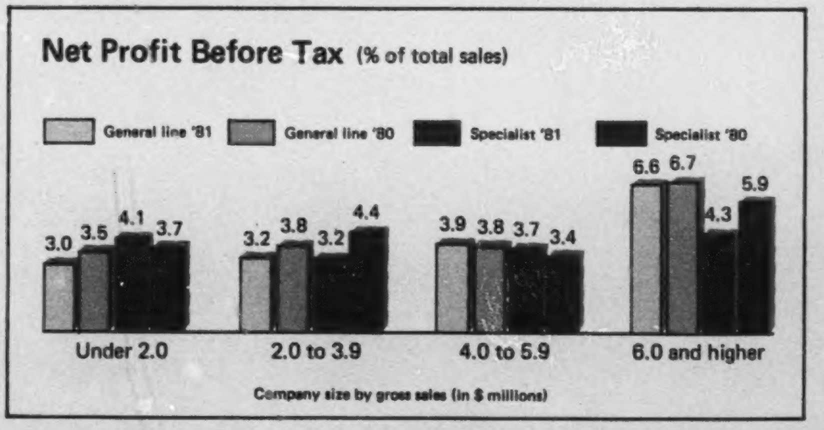

Sales from Non-stock Items
(% of total sales)

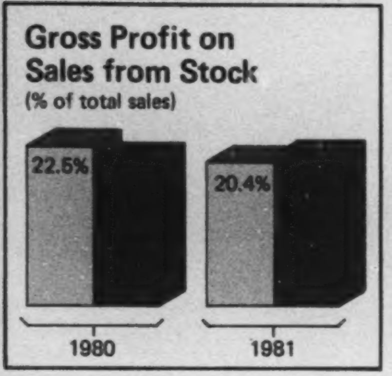

Sales from Direct Shipment
(% of total sales)

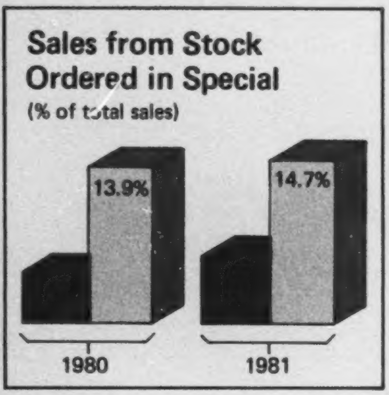

Gross Profit on Sales from Stock Ordered in Special
(% of total sales)

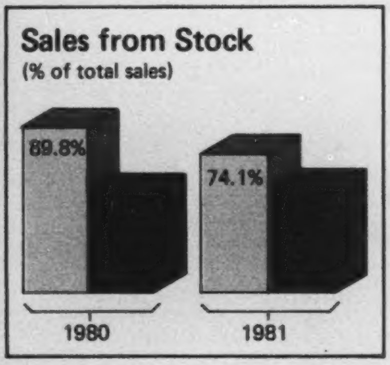

Gross Profit on Direct Shipments
(% of total sales)

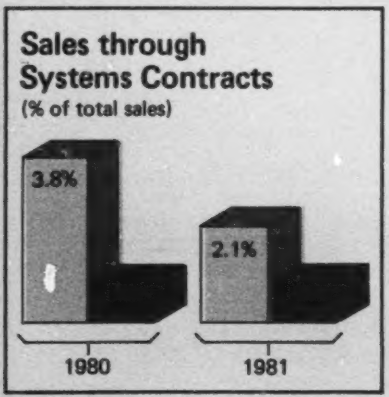

Gross Profit from Sales of Non-stock Items
(% of total sales)


Net Profit Before Tax (% of total sales)

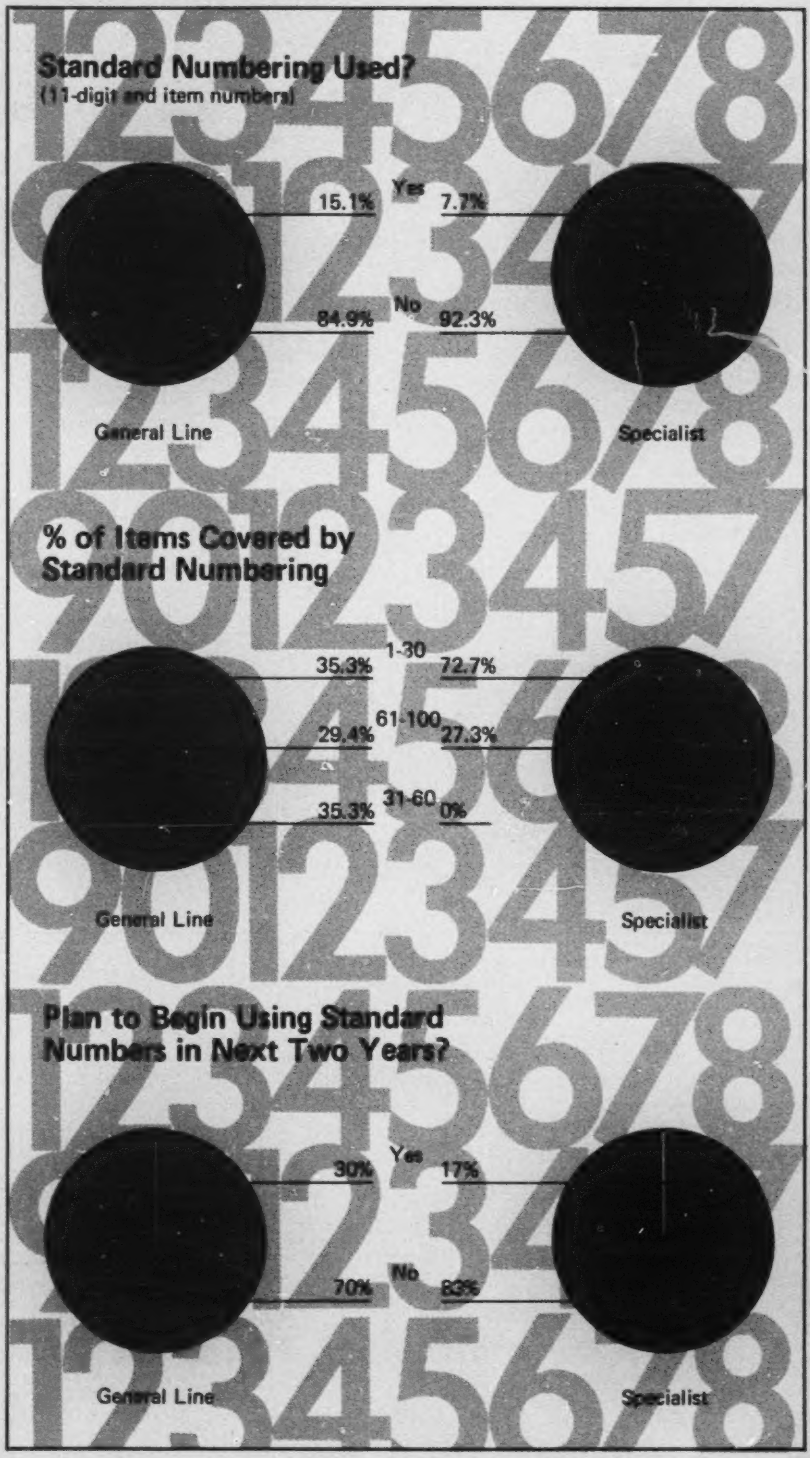








Standard Numbering



But when totals are looked at by region, large fluctuations become apparent, reflecting the economic health of each region. They are:

- Northeast up 5% to $359,000.
- South Atlantic up 14% to $464,000.
- North Central down 10% to $409,000.
- South Central up 7% to $563,000.
- West down 16% to $393,000.

In another expense area, total insurance costs for general liners actually fell 0.34% of total sales to 0.96%. Specialists maintained previous levels of 1.1% for 1981.

Writhing inventories

For both general liners and specialists, inventory lurched about, and the picture changes dramatically when LIFO and FIFO totals for the two groups are compared. In 1981 LIFO general liners reported a modest 0.5% increase in monthly valuation, while specialists came up with an astounding 22% leap, to finish at $406,000 and $339,000 respectively. FIFO distributors, on the other hand, reversed the proportion, with general liners posting a 24% hike to $450,000, and specialists a mere 7% rise to $375,000.

Receivables also took a giant step upward, with general liners reporting a 12.9% dollar volume increase and reaching $306,000, an all-time high. Specialists, too, set a record of $248,000, an 8.8% jump.

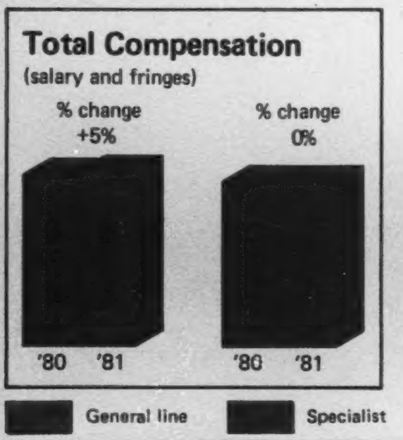
Those with the biggest increases were the West and Northeast regions, posting 20% and 22% hikes, respectively.

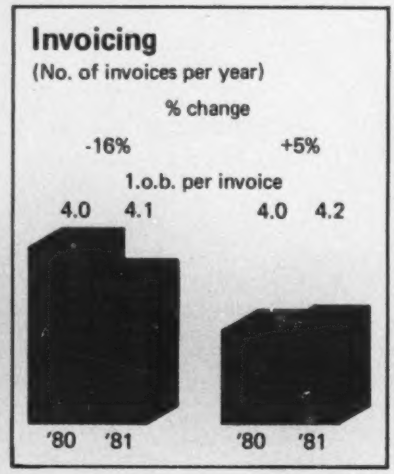
The average age for accounts receivable for the year also witnessed activity. General line receivables proved to be the less stable of the two. They increased from 43 days to 47. Specialists were more static, running up from 42 to 43 days.

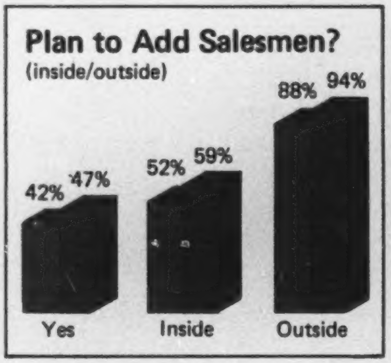
LIFO on the rise

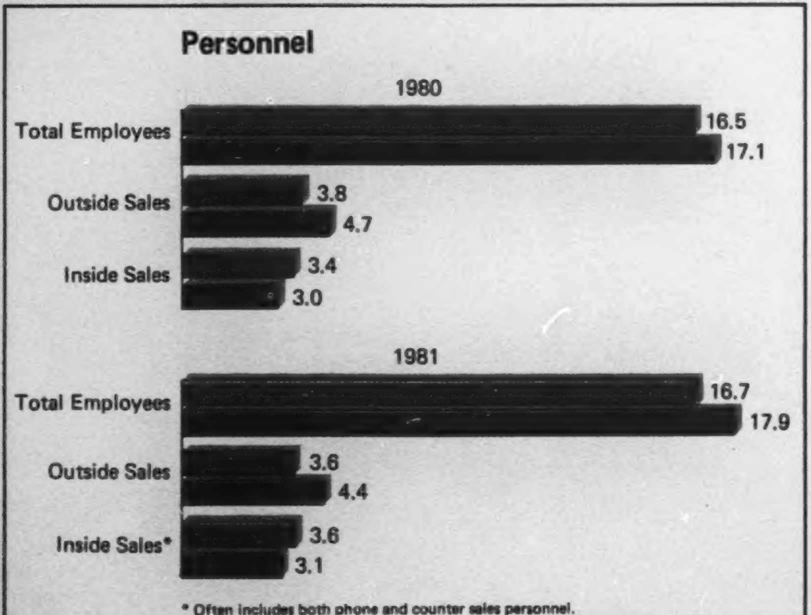
As a more accurate method of inventory valuation, LIFO continued to make strong gains into FIFO territory. In 1981, 44% of all distributors were using LIFO, whereas in 1980 the number was 40%.

Of those distributors not already on LIFO, 23.6% of the general liners and 25.9% of the specialists plan to make the









* Often includes both phone and counter sales personnel.

Definitions

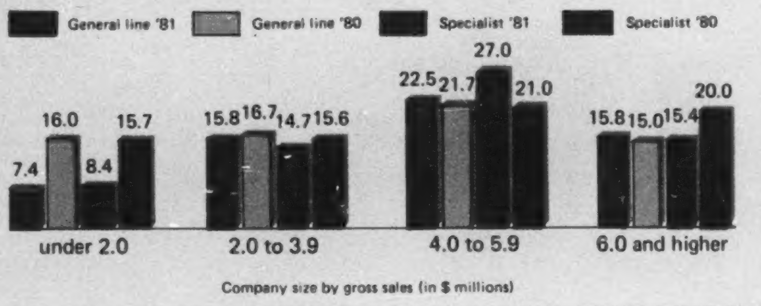
Median: Generally considered the best way of preventing distortion in a sample that might otherwise be dominated by large or small companies. For any given performance measure, the numeric values of the range are arrayed from the strongest to the weakest. The figure that falls in the middle of the array is the median. The firms listed above it had stronger performances; the ones below it, weaker. Unless otherwise noted, median figures are used in all graphs.

Average: The mean obtained by adding different figures or values together and dividing the sum by the number of qualities. It is used in this survey where it has more value than the median or as a comparison point to the median.

General line: Distributorships in which no one major product category (i.e., cutting tools, power tools, bearings) constitutes 50% or more of total sales.

Specialists: Distributorships in which one product category consistently accounts for 50% or more of the total sales figure.

Return on Investment (% return on net worth)



Key formulas

Percent of total sales: Individual measure (i.e., sales from stock) divided by total sales. Result is multiplied by 100.

Sales Per employee: Total sales divided by the number of employees.

Gross profit per employee: Gross profit, in dollars, divided by number of employees.

Total operating expenses: Costs of selling, delivery, salaries, warehouse, EDP, insurance, land and building occupancy, general and administrative.

Inventory turnover: Stock sales at cost divided by average monthly inventory value.

On using this survey

Through computerized analysis and collection of the mass of information supplied by distributors throughout the country, ***ID*** has presented the results in several different formats to allow individual firms to compare their own performances with national and regional norms. Since each year's survey is culled from a different group of respondents, comparisons between one year's report and another should not be made.

The industry sales line shown at the start of this report is taken from Census Bureau data on the performance during that period in Standard Industrial Classifications 5084, 5085 (sales of industrial supplies and equipment) and revised according to actual dollar figures submitted by respondents. The remaining data presented in the graphs and tables are from the current group of respondents, who supplied 1980 and 1981 figures for comparison.

Survey results have been presented here in terms of both medians and averages, where applicable. It should be noted that a median is the better indicator of an individual distributor's place in relation to others', although the average is useful in determining industrywide placement. Of the general line firms, 45% had sales of less than $2 million; 25%, $2.0 million to $3.9 million; 9%, $4.0 million to $5.9 million, and 21%, $6 million and more. Of the specialists, 46% reported sales of less than $2.0 million; 26%, 2.0 million to $3.9 million; 11%, $4.0 million to $5.9 million, and 17%, $6 million and higher. Fifty-nine percent of the total number of respondents put themselves in the category of specialists.

switch sometime in the current year.

Another previously stable category that is beginning to show new life is the amount of gross profit derived from cash discounts, which typically remains constant year after year. Possibly due to generally eroding gross profits and supplier cutbacks that could blow the figures out of proportion, gross from cash discounts fell from highs of 3.1% in 1980 to 2.7% in 1981 for general liners. Specialists' totals dipped from 1.9 to 1.8 for the same period. And while most distributors predict that the outlook for cash discounts in 1982 will remain the same, 24.7% of the general liners and 23.7% of the specialists think there will be less.

EDP growth continues

In the area of computerization, EDP use again picked up steam last year. Totals for general liners currently computerized leaped from 43% in '80 to 57% in '81. Specialists remained at previous-year totals with a 50% computerization rate.

According to distributor projections, this trend will strengthen. The response from asking about future computer plans: 25% of those not computerized plan to do so in '82, but 53% said they will take the plunge in 1983. This clearly represents a lackluster projection for sales in 1982, and the belief that the economy will pick up steam more fully in 1983. Ninety-two percent of those planning to computerize will choose an in-house system.

Of those already computerized, the overwhelming choice is for in-house systems. And following the pattern of recent years, more in-house systems will be added than outside services. Here are the totals: '80, 78% in-house, 22% outside; '81, 81% in-house, 19% outside.

On-line systems, generally considered the most sophisticated and versatile EDP approach, dominate the computer scenario. In 1981 an increase of 9% in the on-line ranks pushed the total to 78% of all units.

Also, of those fully computerized, 54% of the general liners and 60% of all specialists had to expand or replace their original equipment. Additionally, 60% of those computerized installed their equipment in the years 1978 through 1981. The total for '81 is 16.6%.

As computer systems age and distributors get more experience working with them, more and more should start experimenting this year with electronic order entry. Right now, 10% of all distributors are using it with their customers, and 15% are using it with their suppliers.

For most distributors, standard numbering remains a dead issue. Only 15.1% of general liners and 17% of the specialists plan to use it within the next two years.

1982 outlook

Although most distributors remain less than enthusiastic about 1982 and the year ahead, they are not pessimistic. To begin with, operating expenses have been pared to the core, even with perceptible rises for some distributor categories. These resulted from previous slashing which left operational areas cut too close to the bone.

Also, while personnel shows little growth for the industry in general, it's worth noting that new interest is being taken in the area of inside sales. Make no mistake about it, outside sales additions are still preferred by distributor management, but inside sales increases have made inroads on the traditional outside stronghold.

Computerization should further strengthen the profit picture in years to come. More than half of all distributors are now using EDP systems. And roughly two-thirds of those utilize computers to track inventory, a vital expense area which can often make or break a bottom line.

While distributors can do nothing about the biggest influence on their businesses—the economy—they have taken every step necessary to weather recession. When the economy picks up, the industry is certain to ride upward right along with it. □

Industrial Distribution

August 1982

8/9/82
C6185-2

Hotline: Political action intensifies as budget deficit soars

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Industry News

Economy, stuck in low gear, remains mired in recession

NEW YORK—Indicators in the nation's economy remain mixed, pointing neither to recovery nor depression, but only to the same sort of economic stagnation that has plagued the U.S. for many months. The National Assn. of Purchasing Management's *Report on Business* for May and June indicates that an improvement in the economy must await the approval of the 1983 Federal budget, a decline in interest rates, and a renewal of consumer spending born of last month's tax cut.

The Research Institute of America notes few bright spots in the country's economic picture, although the institute's publication, *Recommendations*, optimistically points out that while "signals are too mixed to detect a clear trend, there's more good news than there has been for awhile." The good news, as of May: The *Index of Leading Economic Indicators* had posted a solid gain for that month, the *Index*'s first rise in a year; automobile sales were up an average 18% in the first 20 days of the month over April figures; the April trade deficit was the smallest in seven years, despite U.S. exports having fallen to June 1980 levels; and an Institute prediction that, with the export picture looking relatively bright, the U.S. would see a balance-of-payments surplus of nearly $10 billion come December.

For its part, NAPM sees only one piece of good news: Price increases are continuing to slow. However, the *Report on Business* is beginning to detect a subtle trend of slowing deliveries from suppliers, a sign that manufacturers are getting a bit more busy. If this pattern continues, says NAPM, it will indicate a growing strength in the economy.

The bad economic news abounds, though. The Research Institute says that new factory orders were down 2.3% in April after gains in February and March, a loss that wiped out the gains in those two months. New orders for capital goods in the non-defense sector were down 5% in the same month; new home sales were down 15.3% in April, 32.5% below the year-ago level, while older-home sales were off 4.5%. *Recommendations* calls continuing high interest rates "the root of all the other woes," and points out that "very few" banks followed a major lender's lead in dropping the prime rate to 16% in May. Another big problem, says the Institute, is the uncertainty caused by Federal budget problems and high deficits, and Congress' inability to reach agreement on either. Resolution of this uncertainty, says *Recommendations*, "is the key to the recovery's strength and endurance. As long as it persists, gains against inflation won't be believed. Until business and the money markets do, the economy will stall."

NAPM says in its *Report* that figures on production, incoming new orders and employment continue to worsen, although declines in those indicators were not as severe in June as in May. However, NAPM adds, the lack of liveliness in its new-order indicator means that production and employment levels will remain depressed. □

NAPM *Report on Business*
Nine-month trend in leading indicators
October 1981-June 1982

The responses below are from the purchasing managers of 250 industrial companies throughout the U.S.

(Percentage of respondents reporting)

Inventory levels

	Higher	The Same	Lower
June	10	40	50
May	6	47	47
April	7	54	39
March	12	43	45
Feb.	12	50	38
Jan.	16	38	46
Dec.	13	40	47
Nov.	16	47	37
Oct.	19	52	29

Production

	Better	The Same	Worse
June	16	47	37
May	12	51	37
April	20	51	29
March	19	46	35
Feb.	13	57	30
Jan.	17	45	38
Dec.	9	45	46
Nov.	7	53	40
Oct.	15	48	37

New Orders

	Better	The Same	Worse
June	18	47	35
May	13	49	38
April	21	46	33
March	24	43	33
Feb.	17	48	35
Jan.	19	41	40
Dec.	15	40	45
Nov.	8	46	46
Oct.	18	42	40

How far ahead are PAs buying industrial supplies?

	Hand to mouth	30 days	60 days	90 days	180 days and longer
Production materials					
June	20	39	26	8	7
May	23	36	26	8	7
April	18	38	29	8	7
March	13	42	27	12	6
Feb.	12	36	32	12	8
Jan.	16	35	31	11	7
Dec.	15	36	29	12	8
Nov.	14	32	31	13	10
Oct.	12	35	27	14	12
MRO supplies					
June	50	31	13	4	2
May	48	35	13	2	2
April	44	38	12	4	2
March	42	35	17	4	2
Feb.	38	43	12	5	2
Jan.	41	37	15	4	3
Dec.	39	42	12	4	3
Nov.	38	39	15	5	3
Oct.	40	38	12	7	3
Capital expenditures					
June	15	5	8	14	58
May	21	5	9	13	52
April	18	5	8	14	55
March	15	5	10	13	57
Feb.	13	6	4	17	60
Jan.	14	4	5	15	62
Dec.	17	3	3	14	63
Nov.	15	3	5	13	64
Oct.	12	5	3	13	67

Source: National Assn. of Purchasing Management

Analysts say this is the decade for metalcutting tools, others

NEW YORK—The marketing research firm of Frost & Sullivan, Inc., sees good times ahead for makers and sellers of metalcutting tools, small compressors and vacuum pumps, and industrial energy controls. Frost & Sullivan recently released a series of optimistic research reports on prospects in those lines.

The research firm says that domestic manufacturers' shipments of metalcutting tools will rise from $2.3 billion last year to $2.9 billion in 1985 and $5.2 billion by 1991, as expressed in constant dollars. Unit sales of such tools last year rose to 1.1 million. Nonelectrical machinery industries proved to be the largest market for metalcutting tools in 1981, says Frost & Sulli-

[continued on page 6]

Indicators

The recession grew worse in May, according to the *NIDA-SIDA Industrial Distribution Index* for that month. The *Index* dropped a whopping 10.9 points (8.1%) to 123.5 in May, its lowest mark since February 1979 and 16.7 points off the *Index*'s year-ago pace. All four regions of the country posted losses in their monthly indices. The east was down 14.5 points (10.3%), to 125.9; the midwest, down 13.5 (11.4%), to 104.7; the west, off 9.1 (5.5%), to 156.7; and the south, down 2.9 (2.0%), to 140.6 . . . *The NIDA-SIDA Industrial Supply Inflation Index* saw a minor rise of 0.8 points (0.5%) in May, climbing to 153.7, 7.0% above the year-ago figure. The May inflation rate equates to an annual figure of 6.5% . . . *The SIDA Monthly Sales Trend Report* for April and May paint a bleak picture, with monthly sales figures down 8.3% in April and another 6.6% in the following month. For April, year-ago sales figures were down 7.0% and year-to-date sales were off 3.6%; in May, the year-ago mark was off by 11.9%, while the year-to-date figure was down by 5.9% . . . The National Welding Supply Assn.'s *Welding Supply Index* shows that while purchases from distributors of those supplies were up 9.0% in March from the month before, those sales fell 10.6% in April and another 5.2% in May. The 138.6 *Index* achieved in May matches that of December 1980 and is 7.8% off the year-ago mark . . . The National Fluid Power Assn. reports that hydraulic product orders were up 3.1% in March but down 3.9% in April; pneumatic product orders were off 8.1% in March and 4.1% the following month. Shipments of hydraulic products were up 1.6% in March but down 0.8% in April, according to revised figures; pneumatics were off 7.8% in March and 8.8% in April. Total orders were down 0.9% in March and 4.4% in April; shipments were down 2.0% in March and 0.8% the following month . . . The Material Handling Institute says that February orders totaled $424.3 million for material handling equipment (up 13.1% from the year-ago figure), but that March orders fell to $330.2 million, down 37.0% from March 1981. Shipments were running 21.5% ahead of 1981 in February, but by March they were running 5.1% behind the year-ago mark. Year-to-date shipment figures are 3.5% better than 1981's, but orders are down 16.1% . . . The Copper & Brass Servicenter Assn. says that shipments of copper and brass mill products rose 8.9% in March, dropped 10.3% in April and another 17.3% in May. During that two-month span, inventories climbed from 3.8 to 4.8 months . . . The National Machine Tool Builders' Assn. reports that orders for new machine tools were down 17.4% in March, up 11.6% in April and down 34.3% in May. Shipments, which in May were running at a rate almost three times that of orders, were up 15.0% in March, down 26.2% in April and down another 2.5% in May. The industry's tool order backlog fell to $2.3 billion in May, representing about eight months' worth of shipments at the May rate . . . The American Machine Tool Distributor's Assn.'s *AMTDA Sales Report* for April shows a 20.1% gain over March, bringing the index to 67.0. Metalcutting tool orders were up 19.3% for the month, and metalforming tool orders climbed 20.9%. □

Metalworking groups form coalition to battle unfair trade

CLEVELAND—The Metalworking Fair Trade Coalition has been formed "to seek and obtain Government recognition, cooperation and positive action designed to assure fair trade" in exports in the words of the coalition's executive committee chairman, Arthur Davidson.

[continued next page]

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Circle 16

May sales inch downward

According to distributors polled around the country, May sales performance hit an all-time low in terms of comparison with the same month of a year ago. Inching down from already depressed levels, sales dipped to 11% below 1981 levels.

Few areas posted sales gains. Upstate New York and the South Atlantic Region were the only sections to chalk up real gains—12% and 4% respectively. Within the South Atlantic Region, collectively the states of South Carolina, Virginia and West Virginia, the area total climbed 2% to rise to 6% above previous-year totals.

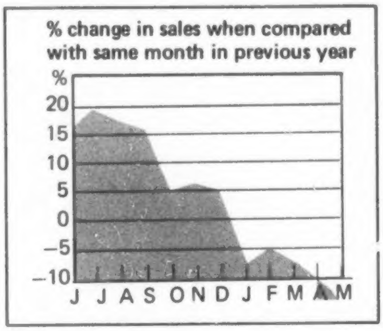
The biggest drops were recorded in depression-torn Michigan and Connecticut, each reporting 27% declines. Close on their heels was the West South Central with a 22% fall-off. Even Texas, normally regarded as recession-proof, saw a monthly slide of 17% compared to the previous year.

While still depressed, year-to-date totals fared slightly better than monthly performance. Sales here were off a comparatively slight 5%, and with, once again, few increases on regional bases. Also, the two biggest declines showed up in Michigan and Mountain states with drops of 27% and 19% respectively.

In contrast to distributor sales, the Dept. of Commerce's index of leading economic indicators rose 0.3% in May to 127.7% of the 1967 average, and the third consecutive monthly gain. Economists say that the recession is waning, but that recovery probably will be anemic for the rest of 1982. □

RECEIVABLES*	**May 1982**		**May 1981**	
	Gen.	**Spec.**	**Gen.**	**Spec.**
New England	43.9	46.3	40.9	40.8
Middle Atlantic	42.5	48.9	45.0	45.5
South Atlantic	35.7	36.1	35.6	36.7
East North Central	38.7	43.4	38.6	41.1
East South Central	36.3	46.3	46.3	47.3
West North Central	35.6	35.8	34.9	36.7
West South Central	51.0	50.5	37.0	39.6
Mountain	23.7	25.4	34.2	30.7
Pacific	37.7	43.2	37.2	42.4
National	38.3	41.8	38.9	40.1

*Average days outstanding


% change in sales when compared with same month in previous year

May sales reached new 1982 lows as regions post record declines . . .

SALES BY REGIONS (% change)	May '82 vs. April '82			May '82 vs. May '81			1st 5 mos. '82 vs. 1st 5 mos. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−6	−13	−9	−16	−9	−13	−8	+6	−2
Connecticut	−9	−25	−14	−20	−40	−27	−10	−23	−14
Massachusetts	−9	−10	−10	−19	+1	−4	−8	+17	+5
MIDDLE ATLANTIC: NY, NJ, PA	−4	−14	−9	−4	−12	−8	0	+1	+1
New York Metropolitan Area	−5	−20	−14	−8	−20	−15	−5	−3	−4
Upstate New York	−3	−10	−6	+20	−1	+12	+23	+6	+17
Pennsylvania	−3	−10	−7	−13	−7	−10	−14	+3	−6
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+3	−6	−1	+11	−7	+4	+1	−4	−1
SC, VA, WV	+10	−14	0	+22	−15	+6	+6	−6	+1
Georgia-Florida	−7	−3	−5	−13	−4	−9	−14	−4	−9
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−10	−2	−7	−16	−17	−16	−13	−10	−12
Indiana	−4	0	−4	−9	0	−9	−4	0	−4
Wisconsin	−12	−11	−12	−9	−20	−13	−6	−9	−7
Chicago	−19	+8	−6	−29	−8	−14	−21	+1	−10
Michigan	−18	+11	−11	−27	−27	−27	−27	−27	−27
Ohio	−9	+6	−3	−16	−14	−15	−13	−7	−11
EAST SOUTH CENTRAL: AL, MS, KY, TN	−23	−16	−19	0	−7	−4	−7	+4	0
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−26	−12	−18	−26	−6	−14	−9	−6	−7
WEST SOUTH CENTRAL: AK, LA, OK, TX	−6	−4	−5	−26	−17	−22	−13	+3	−7
Texas	0	−4	−4	0	−17	−17	0	+3	+3
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−2	+31	+20	−13	−12	−12	0	−28	−19
PACIFIC: CA, OR, WA	−8	−11	−9	−19	−14	−17	−7	−6	−7
L.A.-San Diego	−4	−7	−4	−12	−2	−9	−5	+16	+2
Oregon-Washington	−10	−13	−12	−22	−18	−20	−8	−13	−7
U.S. TOTALS	−7	−8	−7	−11	−12	−11	−6	−4	−5

Industrial Distribution

September 1982

Hotline: Recession bites deeper into travel operations

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The happy state of systems selling

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NAW supports 'balanced-budget' measure, fights pension move

WASHINGTON—The National Assn. of Wholesaler-Distributors has secured what it describes as "first-hand assurances" from the Reagan Administration that it will oppose any legislation in Congress that, if passed, would result in direct tax increases on wholesaler-distributors. NAW also has announced its support of the so-called "balanced budget" amendment to the Constitution, as a "next step" in establishing discipline in the budget-writing process "necessary to discourage future deficit spending," says NAW president Dirk Van Dongen.

The support of the balanced-budget amendment by NAW is linked to the organization's support of the fiscal year '83 budget resolution passed last June by the House and Senate. That resolution provides for a Federal deficit of $103.9 billion in the fiscal year beginning October 1, total spending of about $770 billion, and approximately $20 billion in tax increases and $35 billion in further Federal spending cuts.

NAW is also fighting a bill sponsored by Rep. Charles Rangel (D-N.Y.), the *Pension Equity Tax Act* (H.R. 6410). The *Act*, if passed, would save the U.S. Treasury about $1 billion annually because corporate tax deductions on pensions would be limited. Because of its revenue-raising potential, Rangel's bill has found support in both Senate and House budget committees.

The *Act*'s provisions would reduce the maximum annual tax-deductible additions to defined contribution plans from $45,475 to $30,000; reduce maximum annual pensions under defined benefit plans from $136,425 to $90,000 by limiting those tax-deductible contributions; provide for actuarial reductions in pension benefits under defined benefit plans for employees who retire before age 65; eliminate cost-of-living adjustment factors for defined benefit and contribution plan benefits and contributions; reduce the allowable ratio of the separate plan limits in cases where employees benefit from both defined contribution and defined benefit plans from 1.4 (140%) to 1.0 (100%); and would treat loans from Keogh plans to company owners and key employees as distributions, while loans to other employees would be treated as ordinary income.

NAW urges that distributors write to members of the House Ways and Means Committee stating their disapproval of the Rangel bill. The address is (name of member), U.S. House of Representatives, Washington, D.C. 20515. □

Credit managers expect large increase in bankrupt filings

NEW YORK—A recent survey of credit managers by the National Assn. of Credit Management indicates that 83% of those responding expect an increase in bankruptcies in the second half of 1982. Those surveyed also indicated that one of the major problems in this regard is the ease and speed with which credit customers can now declare themselves bankrupt.

The credit managers surveyed, all of whom are NACM members, say that there is no direct way to prevent credit grantors' losses because the traditional warning signals of customer bankruptcy seem no longer to be valid. One respondent said that he now takes legal action against delinquent customers much sooner, in hopes of "beating them to the bankruptcy courts." Attempting to predict which customers will survive the next year or so is a growing problem, since customers who have been paying promptly and qualifying for cash discounts one day are filing under Chapter 11 the next, say the managers.

In general, the credit managers are turning to tighter credit policies, such as strict adherence to credit limits, the use of computers for daily follow-up of collections, more personal contact with customers, implementation of notes and liens, more frequent analysis of trade credit reports and financial statements, along with fast legal action against late-paying customers. □

Credit managers categorize their problems

	(percentage of respondents reporting)			
	Severe	Moderate	Mild	No problem
Falling sales	14	47	25	14
Customer failures	23	48	25	4
Excessive inventory	5	27	37	31
Inadequate sources of supply	0	5	19	76
Slow-paying customers	25	56	17	2
Interest rates	58	30	9	3
Need for automated records	1	13	21	65
Availability of trained personnel	1	13	19	67
Inadequate cash flow	18	33	23	26
Unauthorized discounts, deductions, chargebacks	9	27	38	26

Our credit policy is:	
More stringent	70%
Less stringent	0%
Same as always	30%

Our mood about the economy is:	
Optimistic	13%
Satisfied	6%
Concerned	69%
Worried	12%

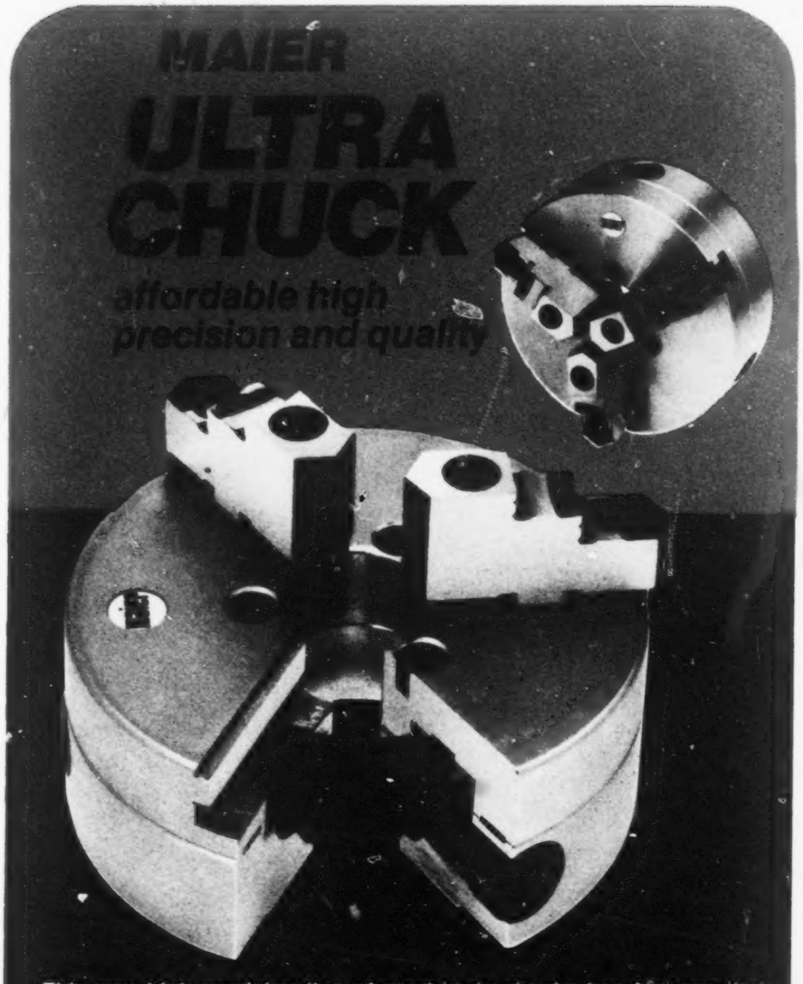
Source: National Assn. of Credit Management

Company drops its hardware subsidiary to boost distribution

NEW ORLEANS—Woodward, Wight & Co. has folded its Hardware Div. and mass-marketing operations so that "we can put all of our efforts and resources into the things we do best—industrial distribution and service," according to the firm's president, Gary Sweany.

The Hardware Div. was "a small percentage" of Woodward's $30-million volume, says an administrative assistant for the company, Cheryl Rose. She added that the closing had brought about the layoff of 17 hardware salesmen. Woodward's former mass-marketing operation wholesaled home consumer supplies to major department stores in the New Orleans area. With that program dead, "we are strictly an industrial distributor now," says Rose.

Woodward is a general-line house that sells mainly to construction companies, oil-field outfits and petroleum shippers. □



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Circle **14**

Indicators

The NIDA-SIDA *Industrial Distribution Index* fell slightly in June, dropping 2.2 points (1.8%), to 121.3, a substantial improvement over the May loss of 8.1%. Two of the nation's regions, the west and the south, posted slim gains in their indices for June. The west rose 1.6 points (1.0%), to 158.3; the south gained 0.7 points (0.5%), hitting 141.3. The east and midwest suffered losses. The eastern *Index* was off slightly, by 0.4 points (0.3%), falling to 125.5; the midwest saw a substantial loss of 5.3 points (5.1%), putting that *Index* at 99.4. With the *Index* based on 1977 monthly dollar sales volume, indications are that midwestern sales are now below those of five years ago, not ignoring inflation. The other bad news is that the national and all regional indices continue to run at levels substantially below those of a year ago. Since June 1981, the national *Index* has lost 19.6 points (13.9%), and this pattern repeats itself in the NIDA-SIDA regions. The east is down 21.7 points (14.7%); the midwest is off 25.9 points (20.7%); the south is behind last year by a relatively slight 5.7 points (3.9%); and the west is down by 18.1 points (10.3%). A NIDA/SIDA analysis of national and regional indices since January 1978 shows that the national June 1982 figure has not been as low as 121.3 since December 1978. The current eastern figure matches that of November 1978; the midwest's *Index* is now close to that of January 1978; the south and the west are doing substantially better, matching indices set in August and December 1980, respectively . . . The NIDA/SIDA *Industrial Supply Inflation Index* for June stood at 153.8, an insignificant gain of 0.1 point (0.07%), which on an annual basis equates to an inflation figure of 0.8%. That compares to year-ago figures which show a 6.7% hike in inflation since June 1981 . . . The ASMMA *New Order Index* for May shows a loss of 6.6 points (7.2%) from the month before, falling to 85.3, which in turn is 30.4 points (26.3%) below year-ago levels. Since this *Index* is, like NIDA/SIDA's, based on 1977 figures, new orders are now substantially off the pace set five years ago . . . The Federal Reserve Board's *Index of Production Manufactures* for May fell to 127.0, down 0.7 points (0.5%) from April . . . The U.S. Commerce Dept.'s index of 12 leading indicators rose 0.8 points (0.6%) in April . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* rose 7.0 points (7.5%), to 99.9, in May. This *Index* uses 1981 sales figures as its base. All seven NWHA regions reported sales gains for the month: the west, up 0.4 points (0.4%), to 101.7; the plains states, up 8.2 points (9.4%), to 95.9; the southwest, up 0.7 points (1.6%), to 98.9; the Great Lakes

[continued on page 21]

[continued from page 14]

states, up a whopping 31.1 points (34.9%), to 120.2 (giving that region the highest *Index* in the nation); the northeast, up 4.4 points (4.5%), to 102.9; the east central states, up 15.4 points (17.5%), to 103.2; and the southeast, up 2.6 points (2.9%), to 92.2. Year-ago comparisons show that against May 1981 indices the national *index* is off 0.1%; the west is up 1.7%; the plains states are down 4.1%; the southwest is off 1.1%; the Great Lakes states are up 20.2%; the northeast is up 2.9%; the east central states are up 3.2%; and the southeast is down 7.8% . . . The American Machine Tool Distributors' Assn. reports that its members underwent a 39.9% sales drop in May, a loss of 26.7 points that put the organization's monthly index at 40.3; the sharp decline in sales sent AMTDA's 12-month moving average index to 75.4, a loss of 4.7 points (5.9%). The May 1981 monthly index stood at 92.8, so the current figure represents a 52.5-point drop from the year-ago figure; the percentage loss is 56.6%. The index is based on the average monthly number of new orders between 1978 and 1980. AMTDA also says that orders for metalcutting machine tools were off 56.1% from a year ago, and orders for metalforming tools were down 59.7%. Index losses in each category for the month of May were 41.4% and 20.6%, respectively. Generally, orders for the first five months of this year are down 36.4% below 1981 figures . . . The Material Handling Institute says that April orders totaled $296.3 million and shipments amounted to $328.1 million. Cumulative orders for the first four months of 1982 are about $1.4 billion, down 19.0% from last year. Shipments, at $1.5 billion so far this year, are only 2.8% off the 1981 pace. □

Fair trade group doubles membership to 11 organizations

CLEVELAND—The Metalworking Fair Trade Coalition, an organization of trade associations in the metalworking industry determined to lobby against what it terms unfair trade practices followed by foreign competitors, has more than doubled in size since ***ID*** reported the coalition's formation last month. The Valve Manufacturers Assn., Washington, has become the 11th organization to join the coalition.

Last month, the five trade associations held coalition membership representing some 464,000 jobs in 16,240 manufacturing plants. Now the coalition's 11 members represent 20,940 plants, or 864,000 jobs; their aggregate sales amount to $53.3 billion annually. The coalition's eventual goal is to sign up the 16 trade groups still outside the coalition; this would give MFTC the backing of 27 units representing about one million jobs at 25,000 plants, with a total yearly sales volume of $75 billion.

MFTC's member organizations now include, in addition to the Valve Manufacturers Assn., the Alliance of Metalworking Industries; American Pipe Fittings Assn.; Cast Metals Federation; Forging Industry Assn.; Iron Castings Society; National Foundry Assn.; National Screw Machine Products Assn.; National Tooling & Machining Assn.; Non-Ferrous Founders Society, and Steel Founders Society.

The coalition will advocate that the Administration enforce existing laws against unfair foreign trade practices and support the correction of inadequate laws, and will lobby Congress for legislation against dumping, currency exchange rate manipulating, foreign subsidy, and other such trade practices. It will also boost the maximization of technology and efficiency by U.S. metalworking companies. Labor unions have been encouraged to lend as much support as they can muster to the coalition. □

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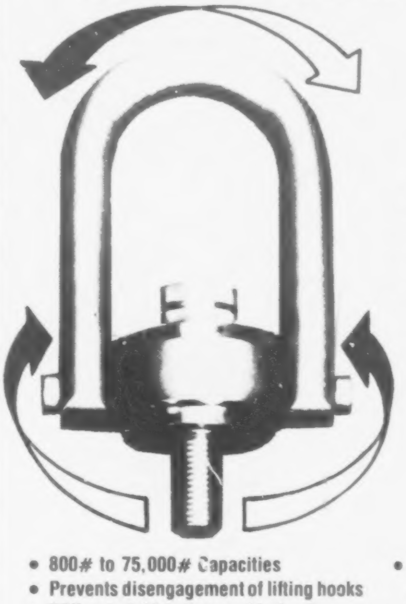

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Circle **20**

June sales tumble

While sales in June for industrial distributors nationwide showed some improvement when compared to May sales, they are disasters when compared with previous-year totals. With nationwide figures down 20% from 1981 levels, no one individual region witnessed an upturn.

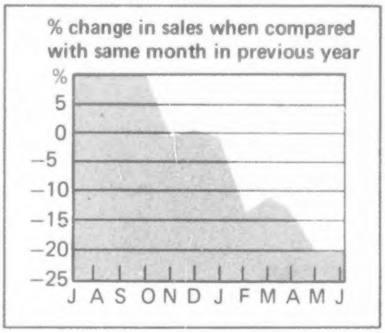
Two of the biggest losses came from the Mountain States and, surprisingly, the West South Central. For the former, sales slumped by 37% when compared with June 1981. For the latter, 33%, no doubt reflecting previously inflated highs due to the rush for oil exploration. West North Central continued its decline with a 33% drop, and Pennsylvania with a 29% falloff.

If June sales were grim, the year-to-date picture hardly looks much better. Nationwide, distributor sales have fallen 12% below 1981's already low level. Los Angeles/San Diego, Upstate New York and Pennsylvania specialists showed gains, however.

Distributor performance again paralleled key industrial indicators. New orders by manufacturers in June dropped to $307.72 billion, according to the Dept. of Commerce. This is the lowest level since mid-1980. Aluminum production drastically fell to 3.78 million tons in June, the lowest level since before 1979, according to the Aluminum Assn. While the Administration claims that the recession has bottomed out and that figures show a rise in the GNP, many economists insist that this element of growth stems only from swelling inventories and heavy defense spending. ☐

RECEIVABLES*	June 1982		June 1981	
	Gen.	**Spec.**	**Gen.**	**Spec.**
New England	39.6	43.8	37.1	44.2
Middle Atlantic	40.2	44.5	41.7	45.8
South Atlantic	36.4	37.1	32.3	37.2
East North Central	35.6	41.5	39.2	40.6
East South Central	34.0	46.0	37.1	43.5
West North Central	36.7	38.7	33.8	37.1
West South Central	40.9	43.9	38.7	41.0
Mountain	28.2	29.3	37.5	32.1
Pacific	37.5	42.5	37.5	41.1
National	36.6	40.8	37.2	40.3

*Average days outstanding



Sales in June fell to their lowest level in years as the recession continues . . .

SALES BY REGIONS (% change)	June '82 vs. May '82			June '82 vs. June '81			1st 6 mos. 82 vs. 6 mos. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+15	− 2	+11	−10	−30	−14	− 7	−19	−10
Connecticut	+20	−18	+ 7	−16	−35	−22	−12	−26	−17
Massachusetts	+ 3	+ 7	+ 4	−20	−22	−20	− 9	− 8	− 9
MIDDLE ATLANTIC: NY, NJ, PA	+ 5	+ 2	+ 3	−19	−21	−20	− 8	−13	−11
New York Metropolitan Area	+14	− 4	+ 3	+ 8	−32	−23	− 3	−28	−19
Upstate New York	0	+ 6	+ 2	−13	−12	−13	− 3	+ 3	− 1
Pennsylvania	+ 2	+ 8	+ 5	−47	− 8	−29	−18	+ 1	−10
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+ 8	+ 7	+ 8	− 7	+ 2	− 4	− 7	− 7	− 7
SC, VA, WV	+ 3	+10	+ 7	− 8	+ 5	− 2	− 8	− 8	− 8
Georgia-Florida	+11	− 1	+ 9	− 7	− 9	− 7	− 7	− 4	− 6
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+ 7	+ 4	+ 6	−20	−15	−18	−23	−18	−21
Indiana	− 3	−22	−13	− 7	−30	−18	− 4	−29	−17
Wisconsin	+ 4	+10	+ 6	−13	−26	−19	− 6	−12	− 8
Chicago	+ 6	+ 3	+ 5	−28	−17	−23	−25	−17	−21
Michigan	+ 3	+22	+10	−40	+10	−20	−35	−25	−31
Ohio	+16	− 5	+ 9	−13	−20	−15	−30	−10	−23
EAST SOUTH CENTRAL: AL, MS, KY, TN	+ 4	− 4	0	− 9	−12	−11	− 2	− 7	− 5
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−35	− 1	−15	−50	−21	−33	−20	− 5	−11
WEST SOUTH CENTRAL: AK, LA, OK, TX	−13	+20	+ 1	−45	−20	−33	−22	− 2	−14
Texas	−18	+20	+ 1	−38	−20	−29	− 5	− 2	− 4
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	0	−29	−10	−30	−41	−37	− 8	−32	−24
PACIFIC: CA, OR, WA	+ 6	− 4	+ 2	−22	−11	−17	−14	− 8	−11
L.A.-San Diego	+ 2	+10	+ 6	− 8	− 1	− 5	− 5	+ 4	0
Oregon-Washington	+ 8	−18	− 2	−30	−20	−26	−20	−19	−20
U.S. TOTALS	+ 5	+ 1	+ 3	−20	−19	−20	−13	−11	−12

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Circle **37**

With business static, the inflation rate has dropped 50% from the first quarter of '82

ID's quarterly inflation index

By **Alan Silver**
Alan Silver & Associates, Inc.
Highland Park, N.J.

As Table 1 shows (see Column 2) the current annual inflation rate for industrial product groups handled by ***ID*** readers, based on the second quarter of 1982, is down to nearly 3%. This is about half the annual rate based on the first quarter, a third of the annual rate for 1981, and a fourth of the annual rate for 1980.

For the first quarter of 1982 the *NIDA/SIDA Index* of 10 commodity groups was at an annual rate of 8.2%, hardly less than the annual for 1981. The *Silver/ID 32-group Index* for the same period was only 4.0%. Note that for the second quarter these two indexes are much closer—3.2% for NIDA/SIDA and 2.8% for Silver/ID. For the first six months of 1982 the two stand at 6.2% and 3.6% respectively. Based on these trends, we predict that the annual inflation rate for industrial distributors by the end of 1982, as reflected by the Bureau of Labor Statistics, will range from 2-4%.

Table 2 covers inflation data for each of the 32 commodity groups in the Silver/ID index. The 10 groups with an asterisk are those making up the NIDA/SIDA index. □

Table 1—Comparing inflation indexes

(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
	***BLS inflation rates (%)**			
	Current qtr 6/82 vs 3/82 annualized	**Year-to-date 6/82 vs 12/81 annualized**	**12/81 vs 12/80**	**12/80 vs 12/79**
Silver/*ID* index of 32 industrial product groups	2.8%	3.6%	8.9%	11.1%
NIDA/SIDA index of 10 industrial product groups	3.2%	6.2%	9.4%	11.0%
****PPI index of industrial commodities**	−0.4%	0.4%	8.4%	13.2%
Avg. of above indexes	1.9%	3.4%	8.9%	11.8%
PPI index of finished goods (indl/agric)	4.4%	3.4%	7.0%	12.9%
Silver/Wholesaler index of 19 lines (plmgb/htng)	4.8%	5.2%	6.0%	9.3%
Electrical Marketing index of 24 product groups	NA	NA	6.7%	10.3%
*****NAED inflation index: 16 product groups**	1.4%	4.2%	7.9%	11.3%
Consumer Price index	10.4%	6.4%	8.9%	12.4%

***Bureau of Labor Statistics**
****Producers Price Index (formerly Wholesale Price Index)**
*****National Assn. of Electrical Distributors (non-BLS)**
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Subsequent inflation index reports will follow the above format.

Table 2—ID quarterly inflation index for industrial distributors (1967=100)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
Product category	Current qtr 6/82	Previous qtr 3/82	% inflation	Current qtr annualized %	Year-to-date 6/82 vs 12/81 annualized %	4th qtr 81	4th qtr 80	Annual inflation 81 %
Industrial oil	364.2	362.4	0.5	2.0	2.4	359.8	327.2	10.0
Prepared paint	265.1	259.3	2.2	8.8	6.6	256.7	241.7	6.2
*Rubber belts & belting	330.5	333.1	−0.8	−3.2	11.6	312.3	271.3	15.1
Other misc. rubber products	293.9	283.5	3.7	14.8	11.8	277.6	236.4	17.4
Plastic construction products	148.6	149.8	−0.8	−3.2	−6.2	153.4	153.7	−0.2
Finished steel products	348.6	349.2	−0.2	−0.8	0.6	347.5	311.4	11.6
Wire & cable	204.4	206.6	−1.1	−4.4	−2.2	206.7	214.0	−3.4
Copper wire & cable	196.9	199.0	−1.1	−4.4	−2.0	198.9	207.6	−4.2
Aluminum wire & cable	236.9	239.2	−1.0	−4.0	−3.4	240.9	234.0	2.9
Builders hardware	271.6	271.6	0.0	0.0	4.2	266.1	242.7	9.6
*Hand tools	337.0	328.6	2.6	10.4	8.4	323.3	291.8	10.8
*Misc. metal products	289.5	284.6	1.7	6.8	5.8	281.4	258.4	8.9
Industrial safety eq.	129.9	129.2	0.5	2.0	7.6	125.1	117.9	6.1
*Bolts, nuts, screws & rivets (fasteners)	273.6	271.9	0.6	2.4	3.2	269.3	251.0	7.3
*Power-driven hand tools	221.7	219.0	1.2	4.8	6.6	214.7	199.0	7.9
Welding machines & eq.	267.4	265.3	0.8	3.2	−2.0	270.0	249.1	8.4
*Cutting tools & accessories	273.0	270.2	1.0	4.0	6.8	263.9	240.6	9.7
Precision measuring tools	238.6	235.3	1.4	5.6	4.8	233.1	214.3	8.8
*Abrasive products	298.1	294.9	1.1	4.4	8.6	285.7	261.5	9.3
Metal cutting machine tools	370.2	365.6	1.3	5.2	6.2	359.1	330.6	8.6
Metal forming machine tools	400.9	398.0	0.7	2.8	6.0	389.2	363.2	7.2
Pumps, compressors & eq.	347.3	346.0	0.4	1.6	5.2	338.4	304.7	11.1
Fluid power eq.	242.9	240.4	1.0	4.0	7.6	234.0	211.3	10.7
*Industrial material handling eq.	286.9	288.4	−0.5	−2.0	1.6	284.6	261.7	8.8
*Mechanical power transmission eq.	312.1	311.8	−0.1	−0.4	3.6	306.6	279.4	9.7
*Valves & fittings	321.6	320.0	0.5	2.0	3.2	316.5	296.5	6.7
Ball & roller bearings	334.0	322.1	3.7	14.8	7.8	321.6	279.0	15.3
Plain bearings	274.1	271.6	0.9	3.6	1.8	271.6	271.5	0.0
Wiring devices	322.7	322.9	−0.1	−0.4	2.4	318.9	277.3	15.0
Electrical instruments	258.3	257.2	0.4	1.6	5.8	251.1	210.8	19.1
Electric motors	288.0	287.0	0.3	1.2	2.8	284.1	255.5	11.2
Generators & generator sets	340.9	339.7	0.4	1.6	2.4	336.8	311.2	8.2
NIDA/SIDA composite	294.3	292.1	0.8	3.2	6.2	285.5	260.9	9.4
Silver/ID composite	283.1	281.0	0.7	2.8	3.6	278.1	255.1	9.0

*Included in NIDA/SIDA composite

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Industrial Distribution

October 1982

/ CG185-2

**Hotline:
Proposed Treasury regulation draws fire from distributors**

What makes them buy?

Industrial Distribution

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Regional Report

July sales extend the slump

Distributors took another beating in July as sales, when compared to those of the same month last year, slipped a dramatic 25% nationwide. Some of the losses were truly astounding: Mountain Region off 46%, West South Central down 37%, Chicago and Michigan both down by 35%. Inexplicably, Indiana posted an increase of 4%—the only region to turn upward.

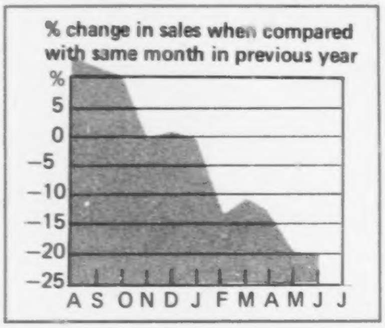
Although July appears to be the record-holder as a sales disaster, there is good news concealed by this first impression of gloom and doom. Year-to-date sales, by far the better indicator of the health of the industry and the economy in general, gained substantially over the first seven months of 1981. Sales for general liners nationwide were up 13%; specialists, 11%.

Mixed in with this generally optimistic news were stories of some real blockbuster totals. The Mountain Region, climbing form its depressed state, is now 37% ahead of where sales stood a year ago. The West South Central saw an increase of 32%. For the rest of the nation, double-digit increases were not uncommon.

Activity of this sort appears to augur that the worst of the recession is over. Both the Administration and the Dept. of Commerce agree. Commerce's index of leading economic indicators rose in July to 129.8% of the 1967 average, up from 128.1% in June. This is the fourth consecutive monthly gain. A 2% increase in factory orders for the same period lends credence to the claim that the worst of the economy is behind us. □

RECEIVABLES*	July 1982 Gen.	July 1982 Spec.	July 1981 Gen.	July 1981 Spec.
New England	41.5	48.1	40.6	43.7
Middle Atlantic	41.4	47.7	45.1	48.2
South Atlantic	38.9	35.3	34.1	32.9
East North Central	39.1	44.1	39.0	41.5
East South Central	38.7	55.7	42.8	53.7
West North Central	24.1	36.7	37.9	35.4
West South Central	55.8	46.2	46.1	44.1
Mountain	23.4	26.3	31.5	15.5
Pacific	40.6	39.9	41.5	38.6
National	38.2	42.7	39.8	40.0

*Average days outstanding



Although sales hit their lowest level in years, the worst may be over ...

SALES BY REGIONS (% change)	July '82 vs. June '82 Gen.	July '82 vs. June '82 Spec.	July '82 vs. June '82 Both	July '82 vs. July '81 Gen.	July '82 vs. July '81 Spec.	July '82 vs. July '81 Both	1st 7 mos. '82 vs. 1st 7 mos. '81 Gen.	1st 7 mos. '82 vs. 1st 7 mos. '81 Spec.	1st 7 mos. '82 vs. 1st 7 mos. '81 Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−28	−12	−22	−19	− 5	−14	− 2	− 5	− 3
Connecticut	−31	+25	−12	−18	−32	−23	−10	+37	+ 6
Massachusetts	−12	−15	−14	−19	+ 1	− 9	+17	−10	+ 4
MIDDLE ATLANTIC: NY, NJ, PA	−16	− 9	−12	−23	−19	−21	+ 7	+ 5	+ 6
New York Metropolitan Area	−19	−13	−15	− 7	−28	−20	−21	+ 8	− 3
Upstate New York	− 8	−14	−11	−21	−24	−23	+ 4	+ 2	+ 3
Pennsylvania	−18	− 2	−10	−39	− 2	−21	+21	+ 3	+12
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	−24	− 7	−16	−25	−13	−20	+ 1	+ 7	+ 4
SC, VA, WV	−26	−11	−20	−26	−26	−26	− 1	+12	+ 5
Georgia-Florida	−11	− 5	− 8	−17	− 5	−11	+12	+ 4	+ 8
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−11	− 7	− 9	−25	−25	−25	+15	+11	+13
Indiana	−11	+34	+12	−22	+30	+ 4	+ 8	+28	+18
Wisconsin	−13	−29	−18	−25	−38	−29	+10	+17	+12
Chicago	0	−10	−10	0	−34	−34	0	+18	+18
Michigan	−11	−17	−13	−34	−35	−34	+33	− 1	+22
Ohio	−12	− 5	−10	−17	−29	−20	+ 8	− 8	+ 4
EAST SOUTH CENTRAL: AL, MS, KY, TN	−17	−21	−18	−33	−29	−32	+ 7	+ 9	+ 8
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−10	− 5	− 8	−41	−30	−36	+18	+10	+14
WEST SOUTH CENTRAL: AK, LA, OK, TX	−11	−18	−13	−38	−34	−37	+27	+43	+32
Texas	−23	+24	−24	−44	−29	−37	+15	+ 4	+10
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−18	+20	+ 1	−37	−54	−46	+16	+58	+37
PACIFIC: CA, OR, WA	− 8	−12	−10	−24	−12	−19	+26	+ 3	+17
L.A.-San Diego	+ 9	−33	− 5	+ 3	−18	− 4	−13	− 7	−11
Oregon-Washington	− 9	− 4	− 7	−27	−10	−20	+30	+ 6	+20
U.S. TOTALS	−15	− 8	−12	−27	−22	−25	+13	+11	+12

Economic outlook continues bleak as the recession keeps rolling on

New York—The economy continues to just sit there and do nothing.

While a number of recent surveys have found that American manufacturers and distributors feel that things won't be getting any worse, no one has been able to put a finger on—or near—when the recovery will begin.

The National Assn. of Purchasing Management's *Report on Business* for July and August says that the American economy "continued to deteriorate" during the summer, although NAPM's August figures seem to show some leveling of the rate of decline. However, what is perhaps the most important component of NAPM's survey, its roundup of incoming new orders, has been losing ground for more than a year. The new-order indicator has what NAPM calls "a domino effect" on other indicators, such as employment, production levels and delivery times.

The Mid-Year Business Forecast by *Construction Equipment Distribution*, a publication of Associated Equipment Distributors, states flatly that "chances for a recovery during the second half of 1982 now appear slim." The *Forecast* itself is headlined, "Equipment Industry Awaits Upturn in the Economy ... and Waits ... and Waits ... and Waits."

The *CED* survey tends to blame high interest rates—16% to 16½% at the time of the poll—for the continuing lackluster performance of the economy. More than 75% of the respondents said that their new-equipment sales for the first six months of this year were flat or declining. Faring the worst were the midwest, southeast, and Rocky Mountain states. Distributors and manufacturers in those regions said simply that they were "holding on for anticipated growth in 1983 and beyond." They have pretty much dismissed the current year.

CED says that distributors and manufacturers from Ohio, Kentucky and the mid-Atlantic states did the best in its survey. Companies in these areas appeared more often in *CED*'s list of top performers, and some even did better in their year-to-date 1982 sales than they did in 1981. These firms, rowing against the economic tides, are trimming construction equipment inventories, controlling overhead expenses, seeking new markets and new uses for equipment, and emphasizing their service capabilities.

The picture painted by NAPM is bleaker. The *Report* finds that while half of those purchasing managers surveyed said their facilities were to close during the summer as planned, 36% of those closedowns were to be longer than usual this year. In 1981, that number was 6%; it was 7% in 1980. In other years, NAPM says, summer hires have had "a positive effect" on employment figures in good economic times; this summer, employment statistics saw further declines.

CED finds that 55% of the distribution and manufacturer executives in its own survey felt that the economy had hit bottom already, but that there was no consensus on when a recovery will begin. Some 27% still

[continued on page 8]

How construction machinery distributors and manufacturers see the current recession

(500 respondents reporting)

By the end of 1982:	
Business will get worse	**18%**
Business will start to recover	**27%**
Business has already hit bottom, but won't have begun to recover	**55%**

Compared to current levels, interest rates for the rest of the year will be:	
Much higher and erratic	**1%**
Somewhat higher and erratic	**9%**
About the same	**49%**
Somewhat lower and more stable	**38%**
Much lower and more stable	**1%**

As for the President's economic program, he should:	
Stay with it	**47%**
Give it more time, but be ready with an alternative	**49%**
Abandon it	**4%**

We expect that our 1982 before-tax net profit compared to last year's will be:	
Better	**26%**
Worse	**52%**
The same	**22%**

Source: *Construction Equipment Distribution*

Acquisitions of distributors down first half of year

Chicago—Acquisition activity in wholesaling and distribution slowed in the first half of this year, reflecting the recession, according to the financial analysis firm of Duff & Phelps, Inc. Completed transactions fell from 36 in the first quarter to 28 in the second, although the average transaction this year has been worth $23.2 million, up 74% over the 1981 average.

Acquisitors are paying a price-to-earnings ratio of 10.5:1 for distribution companies. While this is slightly better than last year's average P/E of 9.9:1, it is still considerably less than the average for all U.S. acquisitions. These carry an average P/E of 12.9:1. The average premium paid over net worth for distribution companies has been 128% this year, vs. 132% in 1981. □

held hope that the upturn will come before the end of the year, while a more pessimistic 20% or so said that things will get even worse. About 90% of those surveyed saw no "immediate or drastic drop" in interest rates.

In judging industry pessimism, *CED* says, "The reason behind this outlook is that equipment distributors and manufacturers are increasingly powerless to overcome the high interest rates characterizing the longest and severest recession the industry has witnessed in the past 40 years."

As an example, *CED* finds that "typical" new-equipment sales declines ranged from zero to 30%; the inclusion of losses due to inflation worsens those losses by another 10% or 11%. Other findings indicate that 70% of *CED*'s respondents expected losses or no change in their rental volume this year; the average loss is expected to be 10%. Some 65% thought that parts sales will decline or show no change in 1982, with an average loss of 7%. Used-equipment sales fare no better in the survey: More than 70% of respondents felt sales will drop or remain flat, with losses per company averaging 10%. About 68% saw losses or flat performance in service volume; 5% losses were expected. As for sales of supplies, nearly 80% saw declines or no change here, with performance in 1982 flat compared to the year before.

NAPM says that the *Purchasing Managers' Composite Index* has been bobbing up and down around 40.0 all summer; a reading of below 50.0 indicates that the economy is in a state of decline. The *Index* adjusts and combines five NAPM sectors—new orders, production, employment, vendor performance and inventories—into a single, comprehensible monthly number.

However, amid all the bad news, there is some potentially good news. First, NAPM reports that there has been a "significant" decline in customers' inventory levels during this recession, indicating that when demand re-enters the marketplace, growth will be large and steady. Second, whatever else the recession may be doing, it has probably beaten inflation into the ground. Prices of important commodities have fallen, and those which had been in short supply in recent years—castings and caustic soda in particular—are now readily available. The price fluctuations which are occurring are "very small" ones from month to month, implying some steadiness in the marketplace. ◻

1981 Distributor Performance Analysis Report from The Specialty Tools & Fasteners Distributors Assn.

Percent of Sales Increase

High	55.0%	**Highest 10% average**	38.6%	**1981 average**	5.3%
Low	15.8% loss	**Lowest 10% average**	11.2% loss	**1980 average**	5.6%
Median	11.0%			**1979 average**	21.9%

Average 1981 sales volume	$3,159,986
Median 1981 sales volume	$2,218,492
Highest 1981 reporting volume	$12,913,362
Lowest 1981 reporting volume	$185,000

Percent of Gross Profit on Net Sales

High	55.2%	**Highest 10% average**	48.9%	**1981 average**	37.00%
Low	17.4%	**Lowest 10% average**	22.9%	**1980 average**	33.98%
Median	33.0%			**1979 average**	33.05%

Dollar Sales per Employee **(number of employees in parentheses)**

High	$263,722 (99)	**Highest 10% average**	$222,604 (66)	**1981 average**	$122,099
Low	$32,999 (3)	**Lowest 10% average**	$63,964 (4)	**1980 average**	$118,876
Median	$135,117 (18)			**1979 average**	$114,163

Average number of employees in 1981: 26

Dollars of Gross Profit per Employee

High	$78,054	**Highest 10% average**	$74,944	**1981 average**	$46,375
Low	$25,250	**Lowest 10% average**	$28,373	**1980 average**	$41,141
Median	$45,149			**1979 average**	$38,241

Percentage of Net Profit to Net Sales

Before taxes					
High	14.7%	**Highest 10% average**	10.3%	**1981 average**	4.37%
Low	3.5% loss	**Lowest 10% average**	2.3% loss	**1980 average**	4.99%
Median	4.4%			**1979 average**	6.05%
After taxes					
High	6.3%	**Highest 10% average**	5.4%	**1981 average**	2.70%
Low	3.5% loss	**Lowest 10% average**	2.3% loss	**1980 average**	3.17%
Median	2.9%			**1979 average**	3.64%

Inventory Turnover on Net Sales **(in number of turns)**

High	10.00	**Highest 10% average**	7.77	**1981 average**	4.38
Low	1.80	**Lowest 10% average**	2.16	**1980 average**	4.04
Median	3.88			**1979 average**	3.95

Rate of Return on Investment after Taxes

High	62.0%	**Highest 10% average**	45.0%	**1981 average**	18.24%
Low	7.3 loss	**Lowest 10% average**	5.0% loss	**1980 average**	17.86%
Median	14.3%			**1979 average**	29.10%

Ratio of Current Assets to Current Liabilities

High	9.05:1	**Highest 10% average**	6.52:1	**1981 average**	2.57:1
Low	1.22:1	**Lowest 10% average**	1.27:1	**1980 average**	1.83:1
Median	2.40:1			**1979 average**	2.13:1

Percentage of Bad Debt Write-Off

High	1.60%	**Highest 10% average**	1.300%	**1981 average**	0.61%
Low	0.00%	**Lowest 10% average**	0.005%	**1980 average**	0.48%
Median	0.35%			**1979 average**	0.61%

Change in Inventory Level

High	Up 125%	**Highest 10% average**	Up 52.7%	**1981 average**	Up 13.94%
Low	Down 27.7%	**Lowest 10% average**	Down 20.1%	**1980 average**	Up 20.57%
Median	Up 9.8%			**1979 average**	Up 26.30%

Days Outstanding for Accounts Receivable **(in number of days)**

High	70	**Highest 10% average**	61	**1981 average**	40
Low	22	**Lowest 10% average**	26	**1980 average**	43
Median	41			**1979 average**	47

Source: Specialty Tools & Fasteness Distributors Assn.

Sales and profits up last year, says STAFDA's survey

ELM GROVE, WIS.—Tool and fastener distributors saw their net sales and gross prof-

Sublands

MADE IN BROOKFIELD, WIS.

Our new ultra-modern facility is now in full production in the heartland of America. We have the newest and best drill manufacturing equipment which includes the latest high speed automatic flute grinders using computer controlled profiling techniques. Backed by the finest possible electronic/optical inspection systems developed for the purpose.

OVER 2500 STANDARD VARIATIONS

We have always invested heavily on inventory and more inventory. Our Philosophy is the same with subland blanks. We have them in stock in depth. But more importantly, they are precision ground to higher than standard tolerances.

RANGE

Standard styles include:
N/C stub length, Jobbers length, taper length, taper shanks, special lengths.

Diameters from 5/32" to 3/4".

Construction:
Subland drills, step drills and subland drill reamers. (2-2), (2-2-2), (2-4), (2-6), (2-8).

Tangs: ANSI tangs are furnished as standard on all drills.

DISTRIBUTORS

Now is the time to try our step and subland drills. Compare them in price, quality, and delivery with those you may be selling already. If you as a distributor are not familiar with us, why not contact us today. Then you too will be in a position to give an unhesitating answer to the question **"Who offers more?"**

GUHRING

1445 Commerce Ave.
Brookfield, WI 53005
414/784-6730

Circle **10**

[continued from page 10]

"that what a distributor does in sales training is a pale imitation of what manufacturers have provided. A significant minority does little at all. It would seem that the distributor is either unable or unwilling to make up the deficiencies of his suppliers. So the manufacturer who opts to invest in a full-scale training effort will be doing a service for his distributors—and will earn the advantages which accrue to a product which is better known than its competitors'."

MM's survey notes that 30.6% of the distributors surveyed provide very little, if any, help to their own sales staffs.

MM also suggests that manufacturers attend sales meetings for distributors run by the rep—not as participants but as observers. "The gaps in the rep's knowledge will become apparent," says *MM*. "If the flaw is the manufacturer's, he knows he has to educate all of his reps. If the flaw is the rep's, some retraining is needed. And the payoff is not just better sales meetings for distributors—the rep is better qualified for his OEM calls." ☐

Distributors speak out on sales training practices

What sort of sales training assistance, not now provided by most, would you like to receive—

From manufacturers?

• Market trend analyses, what to sell to whom, competition, prospect profile, prospect list	66.7%
• Product features, applications	41.7%
• Video tapes	41.7%
• Hands-on lab sessions	13.9%

From reps?

• How to sell product, discussion of specific prospects, sales leads joint sales calls, referrals	50.0%
• None, negative comments	33.3%
• More competent speakers, better prepared	22.2%

What kind of sales training material and/or activities do you prepare and provide on your own to your staff?

• Sales meeting	33.3%
• Product training, demonstrations, lab sessions	33.3%
• None, very little	30.6%
• Sales guides, manuals, bulletins	25.0%
• Roleplaying	11.1%
• Video tapes	11.1%
• Comparison, cross-reference charts	11.1%
• Other	13.9%

What sort of assistance in training your sales staff do you receive—

From manufacturers?

• None, very little	41.1%
• Sales meetings	41.7%
• Sales bulletins	27.8%
• Joint sales calls	22.2%
• Sales guides	19.4%
• Seminars, demonstrations	13.9%
• Video tapes	11.1%
• Plant visits, schools	8.3%
• Other	8.3%

From reps?

• None, very little	41.7%
• Sales meetings	38.9%
• Joint sales calls	33.3%
• Seminars, demonstrations	13.9%
• Sales bulletins	8.3%
• Other	8.3%

Source: *Mainly Marketing*

High Producers Rely on SPIRAL STEP TOOL
. . . the cutting tool people

Cutting tool customers are depending more and more on their distributors to supply their needs. You can rely on Spiral Step Tool for quality cutting tools that provide long-life service and precision performance.

Spiral Step Tool offers a full line of solid carbide standard cutting tools as well as a wide selection of special cutting tools.

Spiral Step Tool supports its distributors through high-frequency trade publication advertising, excellent sales brochures, plus competitive pricing and factory technical services.

A few choice territories are now available to qualified distributors. We invite your inquiry.

SPIRAL STEP TOOL COMPANY
299 Bond Street, Elk Grove Village, IL 60007
(312) 593-5500 • Telex 28-0560

Circle **12**

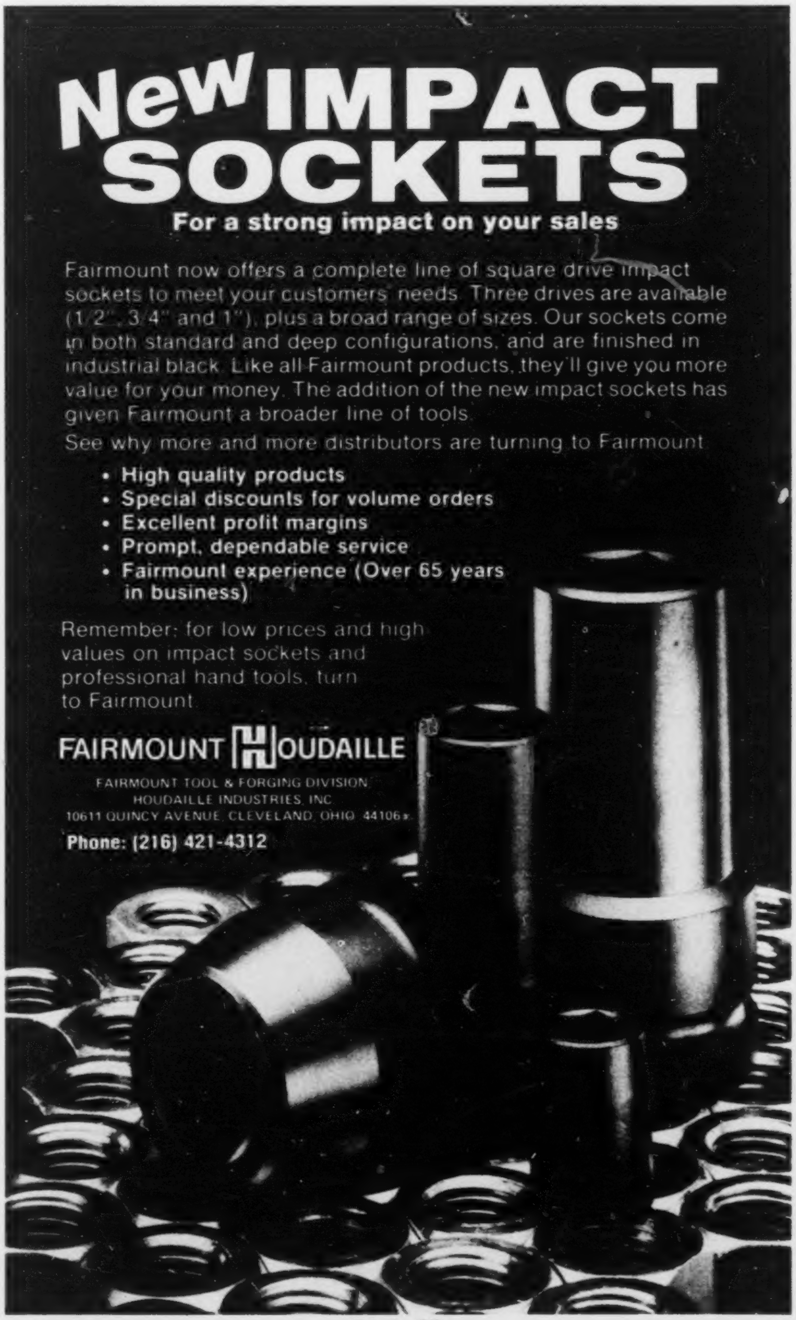
NFDA past presidents and past associate officers in a dialog with members. This will be followed by the convention's formal ending, an address by writer-consultant George Webster on *Time for New Strategies*. Saturday afternoon and evening will have optional workshops, golf, tennis, and a farewell reception. Departure from Newport Beach has been set for Sunday.

NFDA says that GTU Domestic, a travel agency, has guaranteed members the lowest airfare possible to Newport Beach; call (800) 424-5468. The agency has also arranged for 10% discounts for members at Hertz Rent-A-Car, which maintains a pickup and drop-off office in the Marriott lobby.

To top it all off, there will be a drawing at the Saturday reception to see which lucky couple will be awarded a registration refund, free room accommodations for the duration of the convention, and a $500 travel allowance—in all, a prize worth $1950. Winners must be present. □

Indicators

What looks more and more like a long-term easing of inflation continued to be the best news of the summer in July. The *NIDA-SIDA Industrial Supply Inflation Index* rose an almost insignificant 0.13% during the month, equating to an annual inflation rate of 1.57%. The flip side: Although the July annualized rate is low, it is almost double that of the June figure (0.78%). Further, the *Index* now stands at 154.0, meaning that what $1 bought in 1977 cost $1.54 in July. Inflation has risen 5.62% since July 1981, according to the *Index* ... The news continues bleak regarding the *NIDA-SIDA Industrial Distribution Index*, which fell 1.3 points (1.07%) in July, to 120.0, having dropped 19.68% below the year-ago mark of 149.4. The regional picture was mixed: The east was down 3.5 points (2.79%), to 122.0; the midwest was up 1.7 points (1.71%), to 101.1; the west was up 1.2 points (0.76%), to 159.5; and the south was off 8.9 points (6.30%), to 132.4. All regions are still running appreciably behind their year-ago figures: The south is down 20.2 points (13.24%); the west is off 21.0 (11.63%); the midwest is down 34.6 points (25.50%), and the eastern *Index* has also lost 34.6 points (22.09%) in the past year ... The *ASMMA New Order Index*, which has been riding below the 100 mark since the spring, fell again in June by 0.7 points (0.82%), to 84.6. A year ago, the *Index* stood at 115.7, which means that since June 1981, this indicator has slid 31.1 points, or 26.88% ... The *SIDA Monthly Sales Trend Report* for June shows sales up 0.87% from the month before, although they're still riding 17.12% below year-ago levels. Year-to-date sales are so far running 7.45% behind last year's. The better news is that it's becoming easier to collect due bills. *Index* participants report that the average number of collection days fell 2.80% in June, to 43, which is 13.88% better than a year ago and 3.97% better than the 1981 year-to-date figure. Also, inventory investments were reported down 2.56% for the month, 6.20% below last year's pace, but 4.25% above the mark set by the June 1981 year-to-date figure ... The National Wholesale Hardware Assn.'s *Hardware Sales Index* was down 1.8 points (1.80%), to 98.1, in June. The *Index*'s seven regions showed more minuses than pluses for the month: the west, down 1.0 points (0.98%), to 100.7; the plains states, up 1.0 points (1.04%), to 96.9; the southwest, off 0.5 points (0.51%), to 98.4; the Great Lakes, down a whopping 21.9 points (18.22%), to 98.3; the northeast, down 2.5 points (2.43%), to 100.4; the east central, down 16.3 points (15.79%), to 86.9; and the southeast, up 5.4 points (5.86%), to 97.6. Since NWHA reorganized its *Index* earlier this year, year-ago levels have been set at 100.0 for all regions. □



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